



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

44th PARLIAMENT, 1st SESSION

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# Standing Committee on Finance

EVIDENCE

**NUMBER 130**

Thursday, February 29, 2024

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Chair: Mr. Peter Fonseca





## Standing Committee on Finance

Thursday, February 29, 2024

• (1100)

[English]

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

Welcome to meeting number 130 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2), the committee is meeting only to discuss parts 1 to 4 of the subject matter of Bill C-59, an act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023, and certain provisions of the budget tabled in Parliament on March 28, 2023. Part 5 will be studied at a future meeting of the committee. Just for members' sakes, we're doing parts 1 to 4 today, and we'll do part 5 at a future meeting.

Today's meeting is taking place in a hybrid format, pursuant to Standing Order 15.1. Members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of the members. Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters, causing serious injuries. The most common cause of sound feedback is an earpiece worn too close to a microphone. Therefore, we ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on. In order to prevent incidents and to safeguard the hearing health of the interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged and avoid manipulating the earbuds by placing them on the table, away from the microphone, when they are not in use.

I will remind you that all comments should be addressed through the chair. Members in the room, if you wish to speak, raise your hand. Members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

Now I'd like to welcome our witnesses today for the study of the subject matter of Bill C-59, an act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023, and certain provisions of the budget tabled in Parliament on March 28, 2023. We have a number of officials from the Department of Finance who are joining us. Please note that all of these individuals will not be able to sit at the table. If questions arise from those individuals who are not at the table, they will be called and

will exchange seats with those who are at the table to answer those questions.

I request that all officials clearly state their name and department before answering a question, please.

At the table, we do have a few individuals who will give us some opening remarks, and those will be on the different parts that we will be looking into today. We have Lindsay Gwyer, who will be addressing part 1; James Greene, who will be addressing part 2; and Amanda Riddell, who will be addressing parts 3 and 4.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** I just have a brief point of order, Mr. Chair.

I do apologize to the witnesses, but I think it's important that we get a little bit of committee business done at the outset.

**The Chair:** Well, right now, we are allowing our witnesses to make their opening remarks. The witnesses are going to make their opening remarks.

Also, just so that you know, we have many officials with us today—we thank you all for being with us—and you will see them seated in the back. They will be able to address questions also if they pertain to their departments.

On that, I'm going to open it up and allow our officials to start.

**Mr. Philip Lawrence:** Mr. Chair.

**The Chair:** I guess, Ms. Lindsay—

**Mr. Philip Lawrence:** Mr. Chair.

**The Chair:** —you'll start with part 1.

**Mr. Philip Lawrence:** Mr. Chair, I have a point of order.

**The Chair:** Lindsay, please.

**Mr. Philip Lawrence:** Mr. Chair, you have an obligation to recognize me.

**The Chair:** Ms. Gwyer, we'll start with opening remarks.

**Mr. Philip Lawrence:** Mr. Chair, you have an obligation.

Please do not crosstalk. You're hurting the interpreters.

**The Chair:** We're allowing Ms. Gwyer to commence.

**Mr. Philip Lawrence:** I have a point of order.

You have an obligation—

**The Chair:** What is the point of order?

**Mr. Philip Lawrence:** Thank you.

You have an obligation to recognize a point of order. Do I need to post the rules here?

**The Chair:** Yes, I have to recognize a point of order.

**Mr. Philip Lawrence:** So, I have a point of order.

With respect to the motion that was passed earlier at this committee, it was noted that within the next meeting following the beginning of the previous study, we would have Chrystia Freeland, Minister of Finance. Could you please confirm that Ms. Freeland will be here for the next meeting?

**The Chair:** We don't have our PS here. I would look to the PS, but we will look to check on that for you.

**Mr. Philip Lawrence:** Okay. I'll have more to say during the questioning period.

**The Chair:** Thank you, MP Lawrence.

Ms. Gwyer, please.

**Ms. Lindsay Gwyer (Director General, Legislation, Tax Legislation Division, Tax Policy Branch, Department of Finance):** Thank you, Mr. Chair.

I'm Lindsay Gwyer, director general, legislation, at the Department of Finance. I'm here to talk about part 1. A number of my colleagues are also here to answer questions on part 1.

Part 1 contains the income tax measures in the bill. There are about 20 measures, so I won't be able to describe them all, but I'll just do a very high-level summary of several of the key ones.

First, there are a number of integrity measures in part 1. The first two relate to recommendations from the OECD's base erosion and profit shifting project. The first would limit the deductibility of net interest and financing expenses by certain corporations and trusts to a fixed ratio, which in most cases would be equal to 30% of tax EBITDA. The second OECD-related measure would implement rules to deal with hybrid mismatch arrangements, which are cross-border tax avoidance structures that exploit differences in income tax laws between two countries.

• (1105)

[*Translation*]

The bill contains other integrity measures, including an anti-avoidance rule to prevent private corporations from avoiding the refundable tax on passive income, as well as new rules to facilitate true intergenerational transfers, stemming from Bill C-208. Bill C-59 also includes a change to deny the deduction for dividends received by Canadian financial institutions on certain shares held as mark-to-market property, as well as changes to strengthen the general anti-avoidance rules. In addition, the bill will introduce a 2% tax on the net value of equity redemptions by certain Canadian corporations, trusts and partnerships whose equity is listed on a designated stock exchange.

[*English*]

The bill also includes a number of incentives and changes to tax credits. First there are two new refundable investment tax credits.

The first would be available to taxable Canadian corporations on investments in eligible equipment used in carbon capture, utilization and storage projects. The second is another refundable credit available to taxable Canadian corporations and real estate investment trusts for investments in certain clean technology.

Other incentives and credits in part 1 of the bill include changes to the flow-through share rules to allow expenditures incurred in the exploration and development of all forms of lithium to qualify for the critical mineral exploration tax credit, changes to extend the phase-out by three years and to expand eligible activities for the reduced tax rates for zero-emission technology manufacturers, and changes to facilitate the creation of employee ownership trusts. Part 1 would also double the rural supplement for the Canada carbon rebate tax credit.

Those are the major measures in part 1. There are also a number of other more technical measures.

My colleagues and I would be happy to provide more detail on those or any of the measures I mentioned.

**The Chair:** Thank you, Ms. Gwyer.

Now we'll hear from Mr. James Greene, on part 2.

**Mr. James Greene (Senior Executive Advisor, Tax Policy Branch, Department of Finance):** Thank you, Chair. Good morning.

Part 2 of the bill would enact the digital services tax—

**Mr. Philip Lawrence:** I have a point of order. The bells are ringing.

**The Chair:** The bells are ringing, yes.

We will ask for unanimous consent as we've done in the past to see if members are open to that so that we can continue with our witnesses.

**Mr. Philip Lawrence:** I apologize to our witnesses, but there's no UC.

**The Chair:** Okay, we will suspend.

• (1105)

(Pause)

• (1150)

**The Chair:** We are back.

From the top, Mr. James Greene, please proceed on part 2.

**Mr. James Greene:** Thank you, Chair. Good morning, again.

Part 2 of the bill would enact the digital services tax act.

[Translation]

Canada prefers a multilateral approach to digital taxation and has been involved in discussions at the OECD since 2017. The government announced the digital services tax, or DST, in November 2020 as an interim measure pending a common approach. In October 2021, countries without DSTs, such as Canada, agreed not to impose new DSTs during the negotiations until the end of 2023. Countries with DSTs before 2022, such as France, the United Kingdom and Italy, continued to collect their DSTs.

[English]

The government announced in 2021 that if a multilateral treaty were not in force by the end of 2023, the DST would be imposed for 2024. Today, negotiations to finalize a treaty continue. Therefore, the government is proposing this legislation. It was released in draft in December 2021, and again in August 2023, so businesses have known what to expect.

The DST is a 3% annual tax on revenue from certain digital services. It would apply to large firms with global revenue of at least €750 million, and digital services revenue linked to Canadian users of at least \$20 million.

The tax would focus on digital services in which data and content from Canadian users are a key input and value driver, specifically, online marketplaces, online targeted advertising and social media. It would apply equally to Canadian and foreign-owned businesses.

It would come into effect on a day set by order in council on or after January 1, 2024. As announced in 2021, the first year would cover revenues back to January 1, 2022. Meanwhile, the government continues to engage with our international partners.

Thank you.

**The Chair:** We will now go to Ms. Amanda Riddell for parts 3 and 4, please.

**Ms. Amanda Riddell (Director, Real Property and Financial Institutions, Sales Tax Division, Tax Policy Branch, Department of Finance):** Thank you, Chair.

My name is Amanda Riddell. I am the director of the real property and financial institutions section in the sales tax division of Finance Canada. I will briefly describe some of the measures in parts 3 and 4 of the bill, just to give you a flavour of the sales tax measures that are in there.

Part 3 includes amendments to the Excise Tax Act, and Part 4 includes amendments to the Excise Act, 2001. The amendments in parts 3 and 4 are technical amendments that affect limited stakeholders in very particular situations.

I would note that the Department of Finance also consults publicly on most amendments before including them in the bill. To give an example of a technical amendment, part 3 includes an excise tax measure that clarifies who is eligible to claim a rebate of excise tax for goods purchased by provinces for their own use.

There are also a few simplification measures in parts 3 and 4 to ease tax compliance for businesses. For example, part 3 includes a measure that would raise the income threshold above which finan-

cial institutions would be required to file a special information return. This measure is intended to simplify the compliance for smaller financial institutions.

Finally, there are a few relieving amendments in parts 3 and 4 of the bill. For example, the bill would expand the GST/HST exemption for certain health care services to include professional services rendered by a psychotherapist and counselling therapist. It would extend the 100% GST rebate in respect of new purpose-built rental housing to certain co-operative housing corporations.

This concludes a brief description of the type of measures included in parts 3 and 4 of the bill. There are a number of officials here who specialize in each of the areas affected by these measures who will be able to explain in more detail if you have any questions.

Thank you.

• (1155)

**The Chair:** Thank you, Ms. Riddell.

We are now going to move to questions by members. In the first round, each party will have up to six minutes to ask questions.

We'll start with MP Lawrence, please.

**Mr. Philip Lawrence:** Thank you.

Mr. Chair, I just want to confirm, pursuant to my earlier point of order, that we have not received notice as to which date the Minister of Finance will be appearing in front of our committee. Is that correct?

**The Chair:** MP Lawrence, I did get some clarification.

As the programming motion clearly reads, "that the Officials appear within the first week of the pre-study and Minister of Finance appear the following meeting for not less than 2 hours".

That is what is in the motion.

**Mr. Philip Lawrence:** That is what is in the motion.

Would anyone from the government be able to confirm that the Minister of Finance will be appearing at the next sitting week?

**The Chair:** [Inaudible—Editor]

**Mr. Philip Lawrence:** I would give notice of the following motion. Out of respect, I'm not going to bring the motion today, but I am going to give notice, out of respect to our witnesses, who we do greatly appreciate being here. The motion will read as follows:

That the committee not continue any further study of Bill C-59 until the committee has received confirmation of the date of the Minister of Finance's appearance, for no less than two hours.

I have copies of it.

**The Chair:** MP Lawrence, you may continue with your questions.

**Mr. Philip Lawrence:** Thank you.

I'll just leave it up to the officials whom they believe is best to answer. My questions will start by talking about EIFEL, the restriction of interest allowance.

Since the release of the details on these restrictions, we have received from a number of stakeholders, not the least of which is Electricity Canada, information about the potential impact of these restrictions on their ability to expand and invest in the electrical grid, which will be incredibly important if we are to fight climate change; and secondly that it will produce greater and higher costs for consumers at a time when many Canadians are currently experiencing energy poverty.

Could you please address that, and explain to what extent you have studied the cost on the end-user and the economy?

**Ms. Lindsay Gwyer:** I can say that we've consulted extensively with stakeholders in order to understand the implications of the legislation on specific stakeholders.

There are a number of exceptions in the legislation that are intended to deal with more general situations, so we don't have sector-specific exemptions, but we do have an exemption for public-private partnerships that may be relevant in the situation that you're describing.

There is an exception in that situation where there is a project that is owned by a public authority, and the cost of interest is through the arrangement borne by the public authority. That's typical in a public-private partnership. That's something that was done in response to stakeholder comments.

**Mr. Philip Lawrence:** Would you be able to provide the committee with any type of studies, documents or materials that would indicate what would be the impact on the economy and on the cost of living for Canadians through the implementation of EIFEL?

• (1200)

**Ms. Lindsay Gwyer:** I can see what we have.

**Mr. Philip Lawrence:** Okay, I appreciate that.

The next area I'm going to talk about is the digital services tax.

Mr. Greene, you talked a little bit about the initial plan, which was to go with the rest of the countries in a multilateral approach. Canada has now taken a unilateral approach and decided to put in the DST, not waiting for our allies.

Some commentators have said that this will have negative impacts, both on Canada and the rest of the world, as now, some of the digital giants otherwise will be able to avoid taxation with countries not having their tax codes in lockstep with each other.

Could you comment on that, please?

**Mr. James Greene:** Thank you, Chair. I appreciate the question.

It has very much been the government's preference to proceed in this area multilaterally, and we have been engaged in these discussions, looking for a common approach since 2017.

However, the reality is that it has proven to be very elusive. It would certainly be the government's preference to move in that direction, but the government has indicated that it doesn't feel it can continue to wait indefinitely.

With respect to the U.S., obviously we pay close attention to the U.S. reaction in this area. We've been engaged in discussions with the United States. It is important to note that the U.S. has been explicitly tolerating the digital services taxes of seven countries, including the three I mentioned, since the autumn of 2021. They've recently extended that understanding for another six months.

The Deputy Prime Minister has noted that Canada has been engaged in discussion with the U.S., with a view to finding a common understanding in this area.

**Mr. Philip Lawrence:** So far, the Minister of Finance and others have been unable to negotiate that.

What type of decision—

**The Chair:** We're well past the six minutes.

I need a very short answer from you, Mr. Greene, if you have an answer to that, and then we're moving on to MP Weiler.

**Mr. Philip Lawrence:** My apologies, Mr. Chair.

**The Chair:** Are you doing okay?

**Mr. Philip Lawrence:** Yes.

**The Chair:** MP Weiler, please.

**Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.):** Thank you, Chair.

I also want to thank all of our witnesses for being here today.

In a moment, I do want to ask some questions on the CCUS tax credits. I don't know if there's someone who will be joining the table for that.

First, Mr. Greene, you mentioned some of the other countries that already have a digital services tax. I was hoping you might be able to mention which countries those are and for how long they've had a similar DST in place?

**Mr. James Greene:** Well, there are DSTs currently in place in France, the U.K., Italy, Spain, Austria, Turkey and India. Most of those were put in place in 2020 or 2021. The Indian tax, I think, is a little bit older. It was in 2017 or 2018, I think.

**Mr. Patrick Weiler:** That's very helpful. Obviously we're not the first country to be contemplating this, and certainly not even a first mover on it.

I'll move over to the carbon capture utilization and storage tax credit. I know this is something that has been long in the making. This is probably our first big investment tax credit that we're bringing out and, really, in response to a lot of the measures in the Inflation Reduction Act in the United States.

I hear from constituents all the time who are concerned about this. One of the main recipients of these tax credits is going to be the oil and gas industry, which is one of the largest and most profitable industries out there. I know that our tax credit is different from what the United States has brought in, and I was hoping that you might be able to speak to how our tax credit treats enhanced oil recovery. I know that in the U.S. this tax credit is actually used to increase oil production. What are all of the eligible uses for this tax credit?

**Mr. Maximilian Baylor (Director General, Business Income Tax Division, Department of Finance):** I can take that one.

To answer the question directly, enhanced oil recovery is not eligible for the investment tax credit for CCUS.

From a functional perspective, the way it works is that if your equipment is capturing and storing carbon in eligible uses, which is what you were referring to, then there are two of those. There are geological storage and storage in cement. Then you're eligible for the investment tax credit. If you are storing in ineligible uses, such as CCUS, then you would be ineligible to the extent that you're storing in one versus the other.

There's essentially a mechanism to determine if there are mixed-use projects. Obviously, if one project is all eligible use, then you get the full credit. If it's all ineligible use, then you get none of it. If somehow the project is split, there are rules that ensure the part that is dedicated to an ineligible use does not get the tax credit.

• (1205)

**Mr. Patrick Weiler:** Thank you for that.

One of the other differences with the U.S. tax credit, the 45Q, is that theirs is a production tax credit. It's ongoing, looking at year after year. Ours is different. It's an investment tax credit. That funding is provided up front.

A concern I've heard about this tax credit is that carbon capture and storage projects haven't actually met what they're expected to meet over time. We've had some experience in Canada with, for instance, the Boundary bay dam project in Saskatchewan, where only about 50% of the carbon was actually captured.

Given that this money is provided up front in a tax credit, what integrity measures are provided over time to ensure those targets are actually met and what impact will that have on the tax credit itself that's advanced to the company?

**Mr. Maximilian Baylor:** There may be two ways to answer that.

The first, perhaps, is in terms of the process, how you can apply and receive a credit and what is being envisaged there. Effectively, there is a pre-approval process in which all proponents who want to access this investment tax credit—all investors—have to submit their project plans to the Department of Natural Resources. Then, as we were discussing earlier, those project plans will be evaluated to determine to what extent the project is going to eligible versus ineligible uses and the equipment is meeting the requirements of CCUS.

Then further to that, as we discussed, there's a regime to ensure that the credit is apportioned between eligible and ineligible uses. Finally I would say, of course, given that this is a tax program, that

the CRA will have a number of controls and verification mechanisms in place, as they do for all other tax programs, to verify that ultimately the investments are being dedicated to their intended use. Of course, if they are not, well, then there is recapture. There are consequences for that.

**The Chair:** Thank you, Mr. Weiler.

Now I go to MP Ste-Marie.

[Translation]

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

First of all, I'd like to welcome all the officials and thank them for being here. It's rather awkward that we've had to suspend our work for half an hour, as we have a lot of questions to ask them and we're running out of time. I would also like to thank them for the documents they have provided. The briefing book on Bill C-59, which is some 800 pages long, is very useful, as are the other documents they have provided us with and those provided by the analysts. It's high-quality work that helps us a great deal in our work.

Since I have a lot of questions to ask and I'm running out of time, I'm going to hurry, even though it's difficult for elected officials.

First of all, I'd like to know if there's been an update of the table you provided when you appeared before us on March 30, 2023, which showed a breakdown by year and by item of the \$83 billion granted in the form of environmental tax credits. I had also asked you to provide a breakdown of these expenditures by province. If the data has changed from the table you provided, I would like you to send a written update to the committee, and I would be very grateful if you could provide a breakdown of these expenditures by province, if possible.

• (1210)

**Mr. Maximilian Baylor:** Yes, absolutely.

**Mr. Gabriel Ste-Marie:** Thank you very much.

I will now turn to a completely different subject, namely the tax exemption for counselling therapy services.

[English]

**The Chair:** I apologize, MP Ste-Marie. I'm sorry, but we're going to suspend for one second. We're having some issues with interpretation on Zoom.

• (1210)

(Pause)

• (1210)

**The Chair:** You may continue, and I apologize for interrupting.

[Translation]

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

With regard to the tax exemption for counselling therapy services, many psychoeducators in Quebec have contacted us to find out whether they are covered. They are able to get a psychotherapist's licence, but they're not sure whether the bill covers them in its current form.

Does the reference list in this part of the bill refer to the one defined by Employment and Social Development Canada, which includes a whole category of counselling services, such as the services of art therapists, psychotherapists, sex therapists, movement therapists, and so on? Are you in a position to answer me today?

**Mr. Dominic DiFruscio (Director, General Operations and Border Issues, Department of Finance):** I would like to thank the hon. member for his question.

This measure will exempt psychotherapy and counselling therapy services, which are currently subject to GST under the Excise Tax Act. Certain professions fall into the category of psychotherapy and counselling therapy services.

In general, a bill deals with fairly common situations. The act will therefore be changed so that the exemption applies to the services that are mentioned verbatim in the bill before you, that is, psychotherapy and counselling therapy services. Since it is the Canada Revenue Agency and Revenu Québec, in Quebec, that are responsible for administering the GST, in the future, it is these agencies that will provide guidelines and more details regarding the implementation of this measure and determine the specific professions to which it will apply, based on specific circumstances.

**Mr. Gabriel Ste-Marie:** Thank you very much, your answer was very clear. If I understood it correctly, you could tell the psychoeducators who are asking us today whether they are covered by Bill C-59 that it will depend on how Revenu Québec's guidelines are interpreted.

**Mr. Dominic DiFruscio:** That's exactly right.

**Mr. Gabriel Ste-Marie:** Very well, thank you very much.

My next subject is completely different. It's about the clean technology investment tax credit, more specifically for zero-emission vehicles. I'd like to know whether this applies to non-road vehicles described in Class 56.

In Quebec, we have a non-road zero-emission vehicle industry, such as snowmobiles, personal watercraft, pleasure boats, all-terrain vehicles, side-by-side vehicles, airport vehicles, unregistered vehicles, mining vehicles and others. Based on the definition in the act, can we understand that these types of vehicles will be eligible for the clean technology investment tax credit?

Since the list in part (1)(h) on page 20 of the document is not comprehensive, I would like to know whether this will be included or not. If you are unable to answer us now, you can provide us with a written answer.

**Ms. Lindsay Gwyer:** I think it includes Class 56 vehicles, but certain conditions apply. I think it would be better to provide you with a written answer later.

[English]

**The Chair:** Ms. Gwyer, I'm told it's inaudible.

If you could move your mike closer to where you're speaking, we'll see if that works.

Go ahead.

• (1215)

**Ms. Lindsay Gwyer:** I can repeat that.

It includes class 56 vehicles, but there are some conditions on that. We can return in writing with the details.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you very much.

We have heard concerns about the rules limiting excessive interest and financing expenses. Several groups that carry out large electricity projects with provincial authorities could see their interest deductions reduced, which could increase the cost to consumers.

In part 1)(a), Questions and Answers, on page 3 of the documents you provided us with, you say that there are certain requirements for a public-private partnership. Can you elaborate on this? Can you give us examples of what would be needed to be exempt under this change? Can you give an example of what the rules would change?

**Ms. Lindsay Gwyer:** I can answer the question. To make sure my answer is clear, I'm going to answer in my first language.

[English]

The definition is set out in the legislation. It requires that you have a project that is owned by a public authority. The interest paid has to be borne by the public authority. It is typically in these kinds of arrangements where the cost of the interest is built into the pricing terms, so it's indirectly borne by the public authority. The interest has to be paid to an arm's-length person so it can't be internal interest. There is a rule to allow for situations where there could be back-to-back interest payments, but, ultimately, it has to be interest paid to an arm's-length person.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you very much.

[English]

**The Chair:** Now we're going to MP Blaikie.

I will note that we had some news from you yesterday, MP Blaikie. I know you've made a decision. You won't be with us after the end of March. I know you're going to be with us still for the one week we have when we come back in March.

I want to thank you for all of the collaboration and the contributions you've made on the many studies here at this committee and for the last three and a half years you've sat here with us. We thank you very much for that work.

The floor is now yours.



[Hear, hear!]

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much, Mr. Chair. I appreciate that.

I want to follow up on some of the questions about the changes to the EIFEL rules.

I know we've also heard from some pension funds that are concerned about what this may mean for certain items in their existing portfolio.

I want to ask whether the department considered grandfathering the existing projects so there's no retroactive application to investments that have already been made.

**Ms. Lindsay Gwyer:** Yes, we certainly considered that and consulted extensively with stakeholders. There is no grandfathering in the legislation. That's a policy decision. The rules were announced first in budget 2021, so people have had a significant amount of time to plan and react to the rules.

There are also a number of exceptions built into the rules, including exceptions for medium and large Canadian businesses that don't have material, non-resident assets available or shareholders. There are various exceptions built in to try to accommodate different situations, but we don't include grandfathering. It would be quite complicated, for one thing, and it would create a lot of other issues.

**Mr. Daniel Blaikie:** One of the issues that has come up in relation to the clean technology investment tax credit is that where companies are partnering with indigenous communities to have an equity component, I'm hearing that there are some projects that, because of the marginal cost advantage once the clean technology investment tax credit is in place, would favour not having an indigenous equity partner because they can't apply the ITC to their own component of the project. Implementing one without implementing the clean electricity investment tax credit alongside it actually disincentivizes partnerships with indigenous governments where there's an equity component.

Has the government given consideration to that and is it something that will be addressed in very short order with legislation for the clean electricity tax credit?

**Mr. Maximilian Baylor:** I think you're absolutely right in how you're posing the question because the clean technology investment tax credit is for businesses, and tax-exempt entities are not eligible. It's a tax program.

Now what the government has decided to do, and this is fairly unique, is to create a different credit for tax-exempts, which include indigenous communities.

• (1220)

**Mr. Daniel Blaikie:** As part of developing that legislation is the government considering requests to ensure that indigenous-owned non-taxable entities would be able to realize a full 30% discount as

part of the investment tax credit so that projects with indigenous partnerships aren't put at a competitive disadvantage to purely private sector projects when it comes to building clean electricity?

**Mr. Maximilian Baylor:** As this point it is 15% for the non-taxable entity. Again, in the nature of non-taxable entities, the type we are talking about, you also have Crown corporations in there as well. In that respect, ultimately the decision was to have a lower credit rate.

To get to the mechanics very quickly, the private partner, the business, can claim on their share the 30%, and then the tax-exempt entity on their share can claim the 15%.

**Mr. Daniel Blaikie:** I think it's important for the department and the government to know there is certainly support in Parliament for seeing indigenous governments being able to realize the full 30% in order not to disincentivize partnership with indigenous governments on clean electricity projects.

I only have so much time, in more ways than one, Mr. Chair—

**Voices:** Oh, oh!

**Mr. Daniel Blaikie:** —which is why I'm afraid I'm going to have to move the motion I gave notice of at the last committee meeting, which is:

[Translation]

Given that the Canadian grocery sector made more than \$6 billion in profit in 2023 and that millions of Canadians have reported food insecurity in the last year, the Standing Committee on Finance call on the government to immediately take action by implementing an excess profit tax on large grocery companies that would put money back in the people's pocket with a GST rebate and establish a National School Food Program, and that this motion be reported to the House.

[English]

We know we've been—

**The Chair:** I'm going to have to interrupt you there because the bells are going.

**Mr. Daniel Blaikie:** The Liberal House leader is on it, guys.

**Voices:** Oh, oh!

**The Chair:** Yes.

Yes, Mr. Blaikie has moved that motion.

Are members okay to continue with UC?

**Some hon. members:** No.

**The Chair:** No? Members are not okay to continue?

The Conservatives cannot continue.

With the bells going—those are 30-minute bells—on that, members, I see the time and we're not going to have any more time.

We are adjourned.





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