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Chair: Mr. Peter Fonseca



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• (1555)

[*English*]

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

Welcome to meeting number 171 of the Standing Committee on Finance.

Today's meeting is taking place in a hybrid format.

I'd like to remind participants of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

Pursuant to Standing Order 108(2) and the motion adopted on Thursday, September 26, 2024, the committee is meeting to discuss tax debt writeoffs, carousel tax fraud schemes and other issues involving claims.

Now, it is my honour, pleasure and privilege to welcome the Minister of National Revenue, the Honourable Marie-Claude Bibeau.

Welcome, Minister. I'm sure everybody is eager to hear your opening remarks before we get to members' questions. I know you are joined by a number of officials who will be with you now and through to the end of the meeting.

[*Translation*]

Hon. Marie-Claude Bibeau (Minister of National Revenue): Thank you, Mr. Chair. Yes, I'm joined by Commissioner of Revenue Bob Hamilton and assistant commissioners.

We are pleased to have the opportunity to discuss tax fraud schemes, the debt writeoff process and the Canada Revenue Agency's service delivery.

Protecting the integrity and fairness of Canada's tax system is a top priority for the Government of Canada and the agency. The agency is committed to combatting tax evasion and tax avoidance both domestically and internationally.

[*English*]

Historic investments by the Government of Canada enabled the agency to expand the scope of its audits, improve its comprehensive data sources and enhance its analytical approaches. It has been able to hire specialized resources. In addition, this funding has en-

abled the agency to leverage strategic alliances with its domestic and international partners.

The agency is therefore in a much better position to detect and deter the most serious cases of non-compliance, including abusive schemes in Canada's goods and services tax and harmonized sales tax systems, such as carousel schemes. This deliberate focus on willful non-compliance enables the agency to support its mandate to make sure the tax system is fair for all.

[*Translation*]

The same is true for the agency's collection program, which, through innovation and the use of analytics and technology, also ensures a high level of results.

With respect to debt writeoffs, it is absolutely important to note that the vast majority of accounts receivable are indeed collected over time. In addition, a writeoff occurs when all of the agency's collection measures have been exhausted. I can assure you that the agency's collection program is very rigorous before it gets to that stage.

That said, in the vast majority of cases, the debt remains in the taxpayer's account. As soon as the taxpayer's financial situation improves, active collection measures are then relaunched with the same rigour.

[*English*]

Finally, I would like to point out that, in Canada—as abroad—all government institutions are currently under significant pressure in terms of services to the public. In fact, it is mainly the agency's contact centres that are experiencing significant pressure. In recent years, the agency has faced a record number of calls, largely due to the increase in the number of benefits and credits implemented to support the Canadian population during and since the COVID-19 pandemic.

This increase also includes services for people who are new to Canada. These people need a higher level of support to understand their new tax obligations and learn how to access benefits and credits, such as the goods and services tax credit, the Canada carbon rebate and, obviously, the Canada child benefit.

[*Translation*]

That said, the agency can improve its service delivery. Concrete solutions are already on the table, starting with the increased implementation of self-service options that are expected to help relieve the pressure on contact centres.

I will conclude by reminding you that the Canada Revenue Agency is a world-class tax and benefits administration. Its vision is to be helpful, fair and trustworthy, in keeping with its service philosophy that puts people first. Furthermore, in the spirit of tax justice, which is a Canadian value, it is rigorously committed to ensuring that everyone, without exception, pays what they owe to the government's coffers.

Mr. Chair, thank you.

• (1600)

The Chair: Thank you, minister.

[*English*]

Now we will go to members' questions.

In the first round, members, each party will have up to six minutes to ask questions.

We are starting with MP Chambers for the first six minutes.

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

Minister, it's nice to see you again.

When we last spoke at the ethics committee, we talked about writeoffs. I asked about whether you were able to disclose the largest writeoff that happened last year.

Are you able to disclose that today?

[*Translation*]

Hon. Marie-Claude Bibeau: You're very familiar with the Canada Revenue Agency Act and section 241 of the Income Tax Act, which requires us to exercise a high degree of caution to ensure that the information we communicate publicly doesn't directly or indirectly reveal the identity of the taxpayer to whom the information relates. That's why we had to create groups before making the information public.

[*English*]

Mr. Adam Chambers: I understand.

My concern is that, in 2019, your predecessor at the CRA made that figure available to the public. Just last year, you also released that figure to Senator Downe in response to an order paper question through the Senate.

I'm confused as to why, all of a sudden now, there's some policy change on not being able to disclose to Canadians the largest single writeoff to an individual or a corporate taxpayer. We're not asking for somebody's personal information. We're not asking for even the name of the company—although I think that would be well within our rights to start asking for.

At one point, it was \$133 million in 2019. I assume the reason is that it's such a big number that you don't want to disclose it.

Is that fair?

[*Translation*]

Hon. Marie-Claude Bibeau: It's not a matter of wanting or not wanting to make the information available. This is really a decision based on the advice of our legal advisors and tax experts. They be-

lieve that if we provide detailed information, you would be able to figure out the identity of the taxpayer to whom it relates. We can't take that risk.

[*English*]

Mr. Adam Chambers: I understand that. As a lawyer, I understand that sometimes we would like to give the advice the client wants to hear. I find it hard to understand why a couple of years ago, even one year ago, this figure was publicly available, yet today it is not. I understand that we're not going to get that today, but we will continue pushing for that.

Minister, The Globe and Mail mentioned in September that writeoffs for last year totalled about \$4.9 billion, but that was before the end of the year. Can you tell the committee the total writeoffs for last year now that we have the final books closed for the year?

[*Translation*]

Hon. Marie-Claude Bibeau: For fiscal year 2023-24, the final figures will be published in the Public Accounts of Canada, but I can give you the most recent figures. The writeoffs will amount to \$4.3 billion.

[*English*]

Mr. Adam Chambers: Are they writeoffs for taxes? Are they corporate writeoffs and personal writeoffs both together? What's included in that number?

[*Translation*]

Hon. Marie-Claude Bibeau: That's the total for all writeoffs, including personal, corporate and trust accounts.

[*English*]

Mr. Adam Chambers: Thank you very much.

You're saying that we'll get that number in the public accounts, I suppose, on Monday? Is that the number we'll see in the public accounts?

[*Translation*]

Hon. Marie-Claude Bibeau: Yes.

[*English*]

Mr. Adam Chambers: I saw that the CRA noted about \$1.1 billion through audits that should have been examined for carousel schemes and GST schemes in 2017-18, so this predates you, Minister.

I'm curious; have you been able to collect any of that money yet?

• (1605)

[Translation]

Hon. Marie-Claude Bibeau: The dilemma here, the thing that makes answering that question so complicated, is that our collection efforts encompass all of the agency's various debts, whether they're the debts of individuals or companies or, in this case, tax debts or debts stemming from carousel-type schemes. The system doesn't allow us to isolate data out of all of the agency's collection efforts in order to determine what our results were for the specific case of carousel schemes.

[English]

Mr. Adam Chambers: Okay.

Since we're also talking about writeoffs, I'm curious about the underused housing tax. My understanding is that the CRA has actually spent more money on administration than it has assessed to collect. The last figure from an order paper question was that the CRA assessed that there was \$49 million owing in underused housing tax.

How much of that has been collected? Has any of that been written off?

[Translation]

Hon. Marie-Claude Bibeau: Yes. Our last checks showed that the revenue generated by the underused housing tax exceeded the cost of administering it.

That was the first year. This year isn't over yet, but I can tell you that, so far, we've recovered more money than it costs to administer this tax, and that amount will definitely be even higher by the end of the year.

For a brand-new program like this, we need to implement a risk management system and have a certain sample size so we can tweak it. Revenues will increase every year.

[English]

Mr. Adam Chambers: Just very quickly, have you written anything off from the underused housing tax?

Hon. Marie-Claude Bibeau: Would you just repeat?

Mr. Adam Chambers: Have you written off any amounts owing under that underused housing tax?

[Translation]

Hon. Marie-Claude Bibeau: I don't think so, but as I said, I don't have details on writeoffs broken down by category. That said, it's so recent that it's unlikely, since a lot of effort goes into collection before a debt is written off.

[English]

Mr. Adam Chambers: Okay.

Thank you, Chair.

The Chair: Thank you, MP Chambers.

Now to MP Baker, please.

[Translation]

Mr. Yvan Baker (Etobicoke Centre, Lib.): Minister, thank you for being here today. I have a few questions for you.

First, I presume the number of taxpayers calling the agency for whatever reason is growing every year, as the population grows. Meanwhile, the challenges posed by technological changes and the rise in identity theft are making it harder and more time-consuming to verify callers' identity when they contact the agency.

In that context, what is the agency doing to stay on top of developments and continuously improve customer service?

Hon. Marie-Claude Bibeau: Great question.

Yes, our call centres have come under a lot of pressure in recent years. Over the past few years, the number of programs and tax credits the agency administers has been growing, especially during COVID-19. All this has led to higher call volumes for the agency. Furthermore, since we're administering more programs, the nature of the calls has become more complex. As I said in my opening remarks, it takes more time to answer questions from first-time filers. Plus, there's the new reality surrounding cybersecurity. The amount of time it takes for an agent to confirm a person's identity over the phone increases the length of the call. All of these factors have increased the pressure on the agency over the past few years.

We have implemented a call optimization program. Now, when wait times reach 30 minutes, a system gives the people waiting in line the option to be called back the same day. New callers will be redirected to the self-service options or asked to call back when the lines are less busy.

The agency has also extended its service hours. We're now open from 6:30 a.m. to 11 p.m., even on Saturdays. We needed to extend our service hours because of Canada's different time zones.

We've noticed that caller satisfaction levels are way up. The problem wasn't the service they were getting; it was reaching an agent.

Those are the agency's preliminary efforts. We're in the process of developing more programs involving new technologies and artificial intelligence.

• (1610)

Mr. Yvan Baker: I have a request to share with you on behalf of my constituents. My riding is home to a lot of seniors, more than the Canadian average. The seniors in my riding often want to be able to access services through traditional methods like phoning. I really appreciate the efforts you're making to innovate and find new ways to provide services to Canadians, but I just want to remind you and your team that while you're doing that, please don't forget the people who still need to use traditional methods.

A lot of things have been said lately about the CRA's writeoffs. It's even been insinuated that these were arbitrary decisions, not decisions based purely on an accounting process.

Could you clarify the steps leading to a writeoff and tell us who takes part in making that decision?

Hon. Marie-Claude Bibeau: Certainly.

First of all, I can tell you that I play no part in the process. There's no political interference whatsoever. I'm not kept in the loop at all. Officially, this is a power conferred on the minister, but that power is delegated to the commissioner and assistant commissioners, based on the amount of the debt.

Before a decision is made to write off a debt, there's obviously a whole collection process to be followed. It's a multi-step process, and it usually takes several years before the agency reaches the provision for bad debt and the subsequent steps. The entire process complies with generally recognized accounting principles. That includes the agency's procedures, of course, but it also complies with the Financial Administration Act and the Bankruptcy and Insolvency Act. This process is very strictly controlled. Furthermore, the Office of the Auditor General of Canada reviews the agency's decision.

The agency puts in a lot of effort before reaching the writeoff stage. A number of considerations factor into the equation. For instance, we consider the age of the account and how long it's been delinquent for. We also assess the creditworthiness of the indebted individual or company. In our quest for continuous improvement, we always keep an ear to the ground so we can hear about the latest schemes and prevent people from using them.

Mr. Yvan Baker: Thank you very much.

The Chair: Thank you, Mr. Baker.

[English]

Now we will go to MP Ste-Marie, please.

[Translation]

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

Minister, it's a real pleasure to have you here. I also want to thank Mr. Hamilton and all the members of the CRA team who are joining you.

My first question is fairly technical. It's about Quebec's recreational vehicle dealers. You know about this file. The Canada Revenue Agency is demanding that they pay a retroactive amount equivalent to Ontario's harmonized sales tax, which is 8%, for RVs imported from the U.S. that were intended for sale in Quebec but went through customs in Ontario. This measure applies retroactively to 2012 and seeks to recover a total of \$50 million.

Could you please fix this problem?

Hon. Marie-Claude Bibeau: We've looked into the situation. It was of course brought to our attention for one sector in general. What we concluded is that the tax application process is the same regardless of the product. I'm trying to make sure I don't get too specific, but the sector did receive the correct information. We

wanted to make sure everyone had understood. Generally speaking, it's been correctly applied across Canada.

You can see what a tricky position I'm in. I can't talk to you about individual cases, but I can assure you that when such situations arise, the agency staff work with the people involved to find the best way to solve the problems. As for situations that could come up in the future, the system is working and people have received the right information, so everything should happen properly from the outset.

• (1615)

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

That means that these dealers will have to pay back \$50 million. Obviously, that's going to have a major impact on their cash flow, since they'll have \$50 million less in their accounts until the necessary deductions are made and they can get that money back. We know that these dealers don't have very big profit margins and that the recreational vehicles they sell are very high-priced. I'm glad to hear that this issue is going to be resolved, but I urge you and your entire team to come up with a solution as quickly as possible. People have been reaching out to us about this for over a year. Thank you.

Now I'm going to completely change the topic. It seems to me that the Canada Revenue Agency has been in the news every week this fall, whether in the *Le Journal de Montréal* or on Radio-Canada, often concerning new fraud cases or schemes. These news reports essentially seemed to be saying that the agency, and you personally, appear to be going after the whistle-blowers and telling them not to talk about the situation to the media.

I see you reacting, Minister, so go ahead and explain that to us.

Hon. Marie-Claude Bibeau: Certain distinctions are in order.

Sometimes, in certain situations, disclosures by whistle-blowers are necessary. However, the context of our work at the Canada Revenue Agency also needs to be taken into account. Obviously, we are a prime target because of the huge amount of personal, financial and sensitive information in our possession. We have to manage this information very carefully. We ensure that employees have no more access to it than is necessary. This demands constant checks. The fact remains they owe a duty of loyalty to the government and to the agency. It's important to remind agency employees that they have responsibilities and must live up to them.

As for the other matter you mentioned, it's important to keep in mind that employees can always express their concerns or dissatisfaction within the agency, either to their supervisor or to someone higher up the hierarchy. They can also contact the Office of the Public Sector Integrity Commissioner of Canada or other resources outside the agency.

Furthermore, I must say that employees who blow the whistle on situations they consider unacceptable may not always be aware of all the efforts the agency is making to correct the very same situation. The agency has nearly 60,000 employees. Obviously, the teams working on fraud scheme issues don't disclose all the details of what they're doing at end-of-week team meetings.

In my opinion, these people have been taken seriously and work is being done, but the agency's efforts to combat fraud schemes aren't being broadcast. We don't want to give ideas to people unfamiliar with them. Communication is where some things fall through the cracks.

Mr. Gabriel Ste-Marie: Okay, thank you.

Obviously, I was very concerned every time one of these stories came out or when my MP's office was made aware of service-related issues. Personally, I think that whistle-blowers who expose all these fraud schemes are doing a useful service to democracy. It is good for the health of our democracy to ensure transparency in this area. However, after seeing the messages being sent out by Mr. Hamilton, the CRA and you, I wondered whether you were going after the fraudsters or the whistle-blowers. That was the impression we got when we read the news reports.

My time is almost up for this first round, but I have a request to pass on to you. My colleague, Jean-Denis Garon, the Bloc Québécois critic for national revenue currently on parental leave, wrote to you this summer with a request. Six months have passed and, in the meantime, several other items of information have been made public. Earlier on, you referred to a section of the Income Tax Act. However, section 231.4 of that act grants the minister responsible for the CRA the power to authorize an external investigator to conduct an investigation. Considering the many revelations made in the media over the past year, especially last fall, I'd like to reiterate this request so that we can get to the bottom of this matter. You say that teams are putting fraud strategies in place, but I get the impression that fraud cases are more frequent than ever and that the problem is not going away.

Only you have that authority. Are you considering using it?

• (1620)

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

[English]

We have to move on.

We are moving to MP Davies.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair.

Thank you, Minister, for being with us.

Minister, as we know, the CRA approved \$4.9 billion in writeoffs for the 2023-24 fiscal year. That was the highest amount disclosed over the past nine fiscal years. The breakdowns indicate that the value of the writeoffs is heavily weighted towards a small number of large cases.

I'm wondering if you could explain for us what factors explain the increase in CRA writeoffs for that year. Can you explain why

the value of the writeoffs is so heavily weighted towards large cases?

[Translation]

Hon. Marie-Claude Bibeau: The more that total revenues increase, the more likely that total writeoffs will increase. However, I did a little comparative research and noticed that revenues processed by the agency in the past 10 years had increased from \$376 billion to \$662 billion, which amounts to a 76% increase, while total writeoffs had increased from \$3.3 billion to \$4.3 billion, for a 31% increase. This comparison indicates that the revenue growth rate of three quarters, is much higher than the writeoff growth rate of one third. I think that demonstrates how seriously we are taking the matter and that our collection activities are quite effective.

[English]

Mr. Don Davies: Thank you.

In November, 600 CRA employees working in revenue collection and audit were informed that their contracts were being prematurely terminated. Some lost their jobs as of November 29, and all affected employees will be terminated by tomorrow, December 13.

Given the writeoffs last year for uncollected debts, can you explain how laying off hundreds of revenue collection and audit workers will improve the situation?

[Translation]

Hon. Marie-Claude Bibeau: The agency's team is very large. It grew a lot because of programs introduced during the COVID-19 pandemic, but has since reverted to roughly its normal size now that certain programs have ended. For example, we are in the process of finalizing the recovery of COVID-19-related benefits. A lighter workload is one reason why we have fewer employees in the field.

It is important to keep in mind that the agency's work is cyclical. For example, we naturally expect to hire more people during tax season. Summer is another busy period, when benefits are being renewed.

The agency's workforce always fluctuates to some degree. Still, the unusual rise in employee numbers in recent years has not escaped our notice.

[English]

Mr. Don Davies: Are you saying, Minister, that all 600 of those CRA employees are people who were hired only to deal with the temporary programs that are now coming to a close?

[Translation]

Hon. Marie-Claude Bibeau: These people were hired on fixed-term contracts, not as permanent employees.

Some permanent employees were placed in temporary positions, but have since returned to the permanent position they held before leaving. No permanent positions have been cut.

• (1625)

[English]

Mr. Don Davies: Okay.

I'm curious, Minister, about whether you know, for every dollar spent on audit and revenue collection, how much is returned to the federal treasury.

[Translation]

Hon. Marie-Claude Bibeau: I don't have an answer to that question. I would have to look into the matter unless one of my colleagues can respond.

Would you like to respond, Commissioner?

[English]

Mr. Don Davies: Okay.

Mr. Bob Hamilton (Commissioner of Revenue, Canada Revenue Agency): I can respond to that in a general way.

I will note that, at times, we get resources from Finance Canada through a budget.

We have a rough rule of thumb that, for every dollar we get to spend on increased auditing compliance, we return somewhere between \$3 or \$4. It's always a ratio greater than one. If you give us a dollar, we'll return more. That can depend on the type of activity those people are engaged in or the technology they're using.

Roughly, if you think of three to one or four to one, that would probably be a good ballpark figure.

Mr. Don Davies: Thank you, Mr. Hamilton. It sounds like a good investment.

Marc Brière, the president of the Union of Taxation Employees, said in November:

We strongly oppose these job cuts. Just to give you an idea, a collection officer collects between \$1 to \$5 million per year, while their salaries range between \$65K to \$73K/year...It doesn't make sense to lose hundreds of millions yearly. It certainly doesn't help to balance the government's books.

Would you not agree that if we have uncollected debts—and there are certainly more, and I don't think you would assert there isn't more money out there that audits and collections would return to the treasury—it makes sense to be investing in increased audit and collection services at this point in time, not cutting them?

[Translation]

Hon. Marie-Claude Bibeau: I'm pleased to hear that you would support increasing the Canada Revenue Agency's operating budget.

That said, it's important to consider the sector where the various employees work. The agency's human resource managers try to assign positions in the best possible way so that the agency can meet all of its obligations whether they relate to service delivery or tax and collection management.

The Chair: Thank you, MP Davies.

[English]

Members, we are moving to our second round of questions, and timings are a little different in this round.

We're starting with MP Hallan for the first five minutes.

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

Minister, your temporary two-month GST tax trick, according to small businesses, is confusing, cumbersome and complex. They're scrambling right now at the busiest time of the year to change their POS systems because of this policy that was dropped on them. It's not only costly, but very confusing. It's not very clear, through your department or Finance, what's included and what's not.

Why were businesses not given more of a heads-up?

[Translation]

Hon. Marie-Claude Bibeau: As you know, the Department of Finance works on tax policies, while the Canada Revenue Agency administers those policies.

I can tell you that the agency team in charge of answering questions from businesses, specifically questions about taxes, has been mobilized to be ready to take phone calls. However, we were pleasantly surprised to see that the team's phone line was not being flooded with calls. I think that's proof that the information on the agency's website is quite detailed.

[English]

Mr. Jasraj Singh Hallan: Minister, respectfully, when this tax trick ends is when tax season starts. There might be a lot more questions afterwards.

How are you going to handle that?

[Translation]

Hon. Marie-Claude Bibeau: I'm confident that we have all the necessary mechanisms and a competent team in place.

As for the tax holiday coming up over the next two months, all the details are available on the website. Again, the teams we assigned to answer questions from businesses didn't receive as many calls as we expected, which tells me that the information is quite clear.

[English]

Mr. Jasraj Singh Hallan: Minister, respectfully, there are small businesses reaching out. They're saying that the policy is very confusing. In fact, they don't know, with Lego sets, which ones are included and which ones aren't.

How do you answer for that?

• (1630)

[Translation]

Hon. Marie-Claude Bibeau: Once again, the agency has a service that can answer any question these people may have. I therefore encourage them to call our experts for more information if they feel that what's available on the website is not enough. The service is there.

[English]

Mr. Jasraj Singh Hallan: Can you answer what the difference is? Why are some toys included and some are not?

This is a policy set by your government. Is that correct?

[Translation]

Hon. Marie-Claude Bibeau: Indeed, this is a policy set by our government.

As for administering taxes, I think that all the details are available on the website. Professionals are also on hand to answer more specific questions.

[English]

Mr. Jasraj Singh Hallan: Minister, as we've heard at this committee, more than \$4 billion in writeoffs were given to large corporations and fraudsters. Will you grant the same type of latitude to these small businesses that will most likely make mistakes during this confusing and complex GST tax trick change that your government has implemented?

[Translation]

Hon. Marie-Claude Bibeau: There's no connection between the two.

Once we reach the point of a debt writeoff, a very thorough process has already taken place, and often several years of collection efforts as well.

All businesses have to deal with the Canada Revenue Agency. I'm confident that the agency's team is trained to answer their questions according to their situation, and to set up things like repayment agreements adapted to their ability to repay. We are capable of showing compassion and flexibility in recovering funds.

[English]

Mr. Jasraj Singh Hallan: The Prime Minister used the finance minister to blow through the \$40-billion deficit guardrail that she had set in the previous budget. According to the PBO, it's already over by \$6 billion.

Now that he's done with her, he may replace her with the de facto finance minister, carbon tax Carney.

I have just a simple question for you. Wouldn't you agree that the Prime Minister's having done this is absolutely disgusting? That's how we all feel.

[Translation]

Hon. Marie-Claude Bibeau: I flatly reject the premise of your question. I don't really think it's a question you should be asking me as the Minister of National Revenue, or as a minister of the government.

[English]

Mr. Jasraj Singh Hallan: It's clear that no one wants to stand up for the finance minister.

[Translation]

Hon. Marie-Claude Bibeau: Everyone is ready to stand beside the Minister of Finance. Our entire team is very supportive of the Prime Minister and the Minister of Finance. I have no doubt about that.

The Chair: Thank you, MP Hallan.

[English]

Now we will go to MP Sorbara for the next five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

Welcome, everyone.

Minister, I'd like to start by saying thank you to the CRA and all Canada Revenue Agency employees who, during the global pandemic, delivered, at an accelerated and never-before-seen pace, a number of programs to Canadian families and to Canadian individuals and businesses.

For example, Commissioner Hamilton, I'm looking at the Canada emergency wage subsidy. It had three and a half million applications and 460,000 unique approved applicants, and it delivered over \$100 billion to Canadian businesses and supported over five million workers. That was delivered in record time by the CRA. It allowed us to recover and come out of the global pandemic faster than almost any other country in the world.

We all know the human consequences or costs during the pandemic, but we also know that the Government of Canada and the Canada Revenue Agency employees were there, working hard—tirelessly, I would say—at the time. I was a parliamentary secretary for the agency at the time.

I wanted to say thank you to the CRA and to all of its employees.

When we look back at history, in decades or in a few short years, we know this will be a textbook case of the efficiency of delivering government services and benefits to Canadians in their time of need. We were there for Canadians; we had their backs, as we always do.

We will be coming up to tax filing season in a few months.

This is for Commissioner Hamilton and the minister.

We've automated a number of benefits. What I mean by that is, once Canadians file their taxes, they automatically receive the benefits. I want to get a comment, Minister, on how important that is to our ability to reduce poverty levels, especially with the Canada workers benefit, and deliver those benefits to Canadians.

Commissioner Hamilton, do we have a rough idea of how many benefits and credits Canadians receive through filing their taxes?

• (1635)

[*Translation*]

Hon. Marie-Claude Bibeau: Thank you for thanking the agency's team, a team which you were a member of, incidentally. I think the team did an outstanding job, even during the COVID-19 pandemic.

As we've shown, supporting the most vulnerable Canadians is one of our government's priorities.

[*English*]

One of the programs that I'm most proud of is the Canada child benefit. I remember that it was one of our first decisions. We decided to put all of the money for benefits and credits for children and families in the same bucket, and we put additional money in it. It is being distributed with a wage-based approach. This is why the agency is now responsible for it with this wage-based approach, as are many other benefits.

One effort that is very interesting is the community volunteer income tax program, in which volunteers do taxes for people who need assistance. This is another program that we can be very proud of. In the end, the volunteers in this program allow these vulnerable people to get up to \$2 billion in benefits. I'm just talking about this program.

[*Translation*]

The commissioner may be able to give you more details.

Mr. Bob Hamilton: Thank you, Minister.

[*English*]

Thank you for the kind words. I know that all of the agency employees appreciate the kudos that we get from time to time for how we delivered during that very, very stressful time. As we've moved into the compliance end of things, maybe some of the halo has come off a bit, but we're very proud of what we were able to do.

On your question, yes, the automation of benefits is part of a move at the CRA. We're trying to make it easier for people to get the benefits. You do have to file a tax return, so how do we make it as simple as possible? It could be automatic; you don't have to do anything. Like we just do with the carbon rebate for small businesses, they don't have to file anything; we just send that out. We can't do that in every case, but we're doing that where we can.

Also, what we're doing through the CVITP program the minister talked about and other efforts is trying to make sure that people are aware that these benefits are out there. If they file their return, as you know, they'll become eligible for them. I say this because there are people—a falling number of people—who don't know about these benefits. They don't know to file their return so that they can

get access to these benefits. We are making a big effort at raising awareness to make sure that people do file to get these benefits.

You asked a number about quantum. We issue over \$50 billion of benefits per year. I think that's over 150 million payments, so it's a big business. That's an area where the agency has grown over the last couple of decades from just dabbling in benefits to now having a number of them—in the hundreds federally—and we also administer them for the provinces.

[*Translation*]

The Chair: Thank you, Mr. Sorbara.

[*English*]

That is the time.

Now we go to MP Ste-Marie.

[*Translation*]

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

Minister, I'm going to ask you the same question I asked you before, along with another question. You can answer them both at the same time.

The question I asked you before is this: Are you considering using your power to appoint an investigator external to the Canada Revenue Agency to shed light on what's going on?

My other question is on a different topic.

I'm very sensitive to the illegal and immoral use of tax havens. In my opinion, the agency's accomplishments in this area, when information gets leaked, falls far short of what European countries, the Internal Revenue Service, in other words, the U.S. tax administration, or even Revenu Québec are doing. While it's definitely a complex issue, one of the problems, in my opinion, has to do with legal proceedings. The agency wins in the lower courts, where judges specialize in financial matters. However, the people planning or resorting to fraud schemes appeal the decision and the case gets brought before judges who have not specialized in the field. Since these judges lack the necessary subject-matter skills, they become plagued with doubt and rule in favour of the person being prosecuted. As a result, we fail to fight the use of these schemes the way we should.

Is the agency, or are you, considering any solutions to resolve this issue of legal cases being appealed, to give you a better chance of winning?

In short, my first question concerns the possibility of appointing an external investigator, and the second question concerns higher courts.

• (1640)

Hon. Marie-Claude Bibeau: To answer your first question, I'll tell you quite candidly that I don't feel a need to appoint an external investigator because I'm kept informed through our many efforts. I don't think the ombudsman or the Auditor General sees a need for that either.

Obviously, since we don't publicly disclose all the efforts we make to combat fraud schemes, tax evasion, tax avoidance and so on, people may think that we're making less of an effort than we actually are.

Again, I'm quite confident that we're putting in a lot of effort. Our teams are specialized, and they keep getting more specialized. No one can deny that fraudsters are very creative people who never miss a trick. That's why we have joined forces with international groups.

In fact, the commissioner heads an international table of the OECD on these kinds of international finance issues. Not very long ago, back a month or a month and a half from now, the Canada Revenue Agency hosted the J5 summit. We are very active, even internationally, to learn about best practices and share information as new fraud schemes emerge. I am sufficiently confident that our team is highly competent and active nationally and internationally.

As for your question about higher courts, I am unable to give you a precise answer.

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

[*English*]

Now it's over to MP Davies.

Mr. Don Davies: Thank you, Minister.

Do you have an estimate of how much money is lost annually to Canada's treasury due to offshore tax havens?

[*Translation*]

Hon. Marie-Claude Bibeau: If it's lost, I believe by definition we wouldn't have any details. As I was saying, however, we are working extremely hard with our partners here in Canada, including federal organizations and private financial institutions, as well as partner countries abroad.

Perhaps the commissioner would like to add some comments.

[*English*]

Mr. Bob Hamilton: Perhaps I'll add one point.

As the minister indicated, it can, quite often, be difficult to know how much you're not getting, but we have estimates of that. We produce a document on the tax gap, which looks at a number of areas of the tax system and how much we are collecting relative to what we think we should be. Now, there's a methodology and people can debate that, but we try to estimate it.

I don't have the number you're specifically looking for at my fingertips, but I'd be happy to send to the committee our document on that, which we repeat every few years. I would say that it's an estimate based on a methodology, but we do try then use it to help direct or influence our compliance efforts and where we want to direct our efforts.

Mr. Don Davies: Thank you. I appreciate receiving that number.

This is according to an October article by CBC News:

At the height of this year's tax season, [CRA] discovered that hackers had obtained confidential data used by...H&R Block Canada.

[The hackers] used the company's confidential credentials to get unauthorized access into hundreds of Canadians' personal CRA accounts, change direct deposit information, submit false returns and pocket [millions of dollars] in bogus refunds

the crisis prompted the CRA to contact the office of the Revenue Minister

the public was never alerted to the scheme.

Why was the public not alerted about this breach, and what is being done to improve transparency and prevent future cyber-attacks like this?

[*Translation*]

Hon. Marie-Claude Bibeau: First of all, the information that allowed the fraudsters to break into people's accounts was obtained outside the Canada Revenue Agency system. In other words, it wasn't the agency's system that was hacked. The confidential information of certain individuals was obtained outside the agency's system, and it wasn't one hacker who entered the system, but rather a host of small incidents.

The first thing that the agency does in situations like this is to let the individual involved know. Their account is frozen, they are informed, and we perform all the necessary searches to track down the hacker. We also try to figure out the extent of the breach of confidential information, whether the breach was more generalized or limited to the agency. We work both to help the individual and to locate the fraudster.

Why wasn't this information made public, as was before in other situations? This situation involved specific cases, not a general risk to the public, so we didn't think it was relevant to disclose the information publicly. However, every Canadian concerned was immediately notified and their account was frozen.

• (1645)

The Chair: Thank you, MP Davies.

[*English*]

Now it's over to MP Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you, Mr. Chair.

Minister, in response to my order paper question of this past spring, you refused to disclose the amount of the single largest tax writeoff. This is in contrast to previous practice.

Did you order your officials not to disclose that number?

[Translation]

Hon. Marie-Claude Bibeau: Absolutely not. That is a team decision made after assessing the situation and risk. We have to be really careful not to share information that might directly or indirectly reveal a taxpayer's identity. I had no influence over that decision at all.

[English]

Mr. Pat Kelly: Thank you, Minister.

This is in contrast to previous practice. Up until this year, when questions like this have been asked through the same method—an order paper question—you have disclosed the single largest number, but you did not do so this year. This absence of transparency leaves people wondering why. They wonder if there's a particular entity being protected and they want to know how much the single largest writeoff was. According to media reports, there were 11 entities who, combined, received over a billion dollars in writeoffs.

We're left to wonder how big the biggest one was.

[Translation]

Hon. Marie-Claude Bibeau: I understand your question very well. Unfortunately, because of our obligation to protect the information of individuals and to not directly or indirectly disclose the situation of a company or an individual—

[English]

Mr. Pat Kelly: From your answer, may I then infer that this was an individual and not a corporation?

[Translation]

Hon. Marie-Claude Bibeau: No. I should have used the term “taxpayer” in the broad sense, so it could be an individual, a business, a trust—

[English]

Mr. Pat Kelly: Minister, anybody watching this committee hearing will conclude that you are more interested in protecting the privacy of someone who has failed to pay almost certainly in excess of \$100 million in taxes owing, rather than your being transparent with Canadians.

[Translation]

Hon. Marie-Claude Bibeau: When you're in government, you have duties that the opposition doesn't have, isn't that right? I have a legal duty to protect the information of all taxpayers. It's not my personal choice. For me to reveal more than that, the act would have to be amended first. I have no desire to end up in jail for that.

[English]

Mr. Pat Kelly: Minister, I'll note that my order paper question that you refused to answer and the question by Mr. Chambers were both simply for the number. We will not ask you who didn't pay. Will you tell Canadians how much the single largest writeoff was in this past year?

[Translation]

Hon. Marie-Claude Bibeau: I can't share that information. We believe that sharing that information would allow you to directly or indirectly trace the taxpayer's identity.

• (1650)

[English]

Mr. Pat Kelly: People may be left to speculate whether you disclosed the number or not. Minister, there's an alarming trend under way here. The amount in aggregate that you disclosed is unprecedented. You have, according to media reports, 11 tax filers who, combined, had over \$1 billion in writeoffs, which suggests a series of exceptionally large writeoffs.

How many full-time equivalents are there, or what is the employee count right now, at the CRA?

[Translation]

Hon. Marie-Claude Bibeau: You asked how many employees work for the agency?

[English]

Mr. Pat Kelly: Right.

[Translation]

Hon. Marie-Claude Bibeau: There are about 58,000 employees.

[English]

Mr. Pat Kelly: You have an army of 58,000 tax collectors. The Canadian army has only 33,899 full-time active personnel. Your army of tax collectors is enormous, Minister, and we are seeing an alarming trend of writedowns and failures to collect taxes. This is troubling for Canadians who pay their taxes, and your average filer doesn't have the ability to fight or be able to resist your tax collectors. It's the larger players who seem to be having their taxes forgiven.

[Translation]

Hon. Marie-Claude Bibeau: That is completely untrue, and I have the numbers to prove it to you.

Ten years ago, the agency collected \$376 billion in revenues. Today, that figure amounts to \$662 billion. Now let's take a look at writeoffs, the money that you say we're letting slip away. I would point out that this is money that we weren't able to collect despite a lot of effort. Back then, total writeoffs amounted to about \$3.3 billion; today, it amounts to \$4.3 billion. This means that, in 10 years, total revenues have increased by 76%, and total writeoffs have increased by 31%. I think that's a great example of the agency team's effectiveness.

The Chair: Thank you, Mr. Kelly.

[English]

This will be the final questioner of the minister, and that's MP Thompson, please.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you. I'm glad I get this opportunity.

Welcome.

I want to start with statistics and how we've been talking about them.

In 2024, the "Global Financial Crime Report" stated that financial global crime is a \$3.1-trillion problem. Clearly, this is, as you referenced, Commissioner, a global challenge. It is international, and obviously the fraudsters are incredibly sophisticated.

I want to put in a plug for my riding. There is a company, Verafin, in St. John's, Newfoundland that started as a very small company in cybersecurity and has grown in a tremendous way. It is now Nasdaq Verafin. They do this cybersecurity work around the globe, enhancing investigators' AI capacity.

Minister, I don't know if this question is best for you or the commissioner.

Regarding the international groups that you meet with—and we know this is a global problem—what's happening internationally? Capacity within an organization is limited in light of the sophistication of the crimes being committed.

Is there a way to partner with organizations that are at the leading edge globally to be able to maximize our ability to really deal with this very serious problem?

Hon. Marie-Claude Bibeau: We do, definitely, but I'll let you go.

Mr. Bob Hamilton: Yes. I'm happy to respond to that, Mr. Chair.

You're right: It is a global issue. At the last meeting of this group that I chair, which is made up of the commissioners from basically all of the OECD countries, the number one topic on people's minds was the growing cybersecurity problem and fraud. Interestingly, one of the issues is that as all of the tax jurisdictions are trying to become more digitalized and faster in their service, we're actually opening the door a bit to allowing people to come and take advantage of that speed. That's a trade-off that we're all thinking about collectively.

What are we doing about it? We've done a few good things. We have instituted an automatic exchange of information whereby we're sharing information among ourselves about taxpayers in our jurisdictions so that if we see something that looks a bit funny, we can get that information from another jurisdiction. This is because, usually, when somebody is trying to evade or avoid taxes, they're doing it not just in Canada, but also in other places. We can exchange information to get a better handle on what's going on with some of these large, multinational groups, which can be hard to figure out just on your own. We're working together on that.

On the issue of financial crime, the minister mentioned that we had the J5, which is a group of five countries. It's made up of Australia, the U.K., Canada, the Netherlands and the U.S. They all get together—our tax and criminal enforcement groups—and that's good. It's good for us to share the best practices and what we are seeing because, again, something that's happening in one country is probably happening in another.

We've also created a separate little group, or a subgroup, that involves the large financial institutions and other experts in each of those countries. We can get together. Part of what makes us work well is our partnerships with financial institutions and others that

aren't necessarily tax administrations to get a better feel for what's going on, and it's all necessary.

Fraud still happens. We're fighting it. We think we're doing lots of good things, but there are people who are very dedicated to committing fraud, and we have to make sure that we do everything on our side to try to stay ahead of them.

• (1655)

The Chair: You have a minute.

Ms. Joanne Thompson: Good. I have another question. Thank you for that.

Please remember Nasdaq Verafin.

Minister, to you, thank you for the volunteer tax support. I've seen that in play. It's amazing. It works for the most vulnerable. Along the same line, there's automatic tax filing. Again, I've seen this work. It's incredible. It's able to connect the most vulnerable with supports.

Would you speak to that?

Hon. Marie-Claude Bibeau: Yes. Actually, we have two different efforts for automatic tax filing.

The first one focuses on people with basic incomes who will benefit from benefits. We're trying to make their lives easier by letting them file their taxes over the phone. This is something that we're trying, but I think the big one you were thinking about is trying to identify people who have not filed for many years or who have never filed and who would be eligible for benefits...because we care for people.

We want to increase the number of people we reach out to and allow them to answer a few very easy questions, whether by phone, on paper or online, to try to include them in the system. This is very promising.

The Chair: Thank you. That is the time we have with the minister.

We want to thank Minister Bibeau for coming before the finance committee and sharing with us all of this information in response to members' questions. We greatly appreciate it.

Now, members, we have an opportunity for the next 30 or so minutes to be with the commissioner and the other officials, the assistant commissioners and the directors who are with us here today, as we continue now into our third round of questions.

In this round with the officials, we're starting with MP Kelly for the first five minutes.

Mr. Pat Kelly: Will each side get a second speaker, or is there a hard stop at 5:30?

The Chair: We have a hard stop at 5:30.

Mr. Pat Kelly: Thank you. I may share my time with Mr. Morantz, if he has a question.

Mr. Hamilton, you may recall that there were some pretty damning Auditor General reports over the years about the department and the call centre.

What percentage of calls currently reach an agent?

Mr. Bob Hamilton: I have someone here who can give that estimate, but we focus a little bit more on how long they have to wait to reach an agent. Right now, we're seeing some improvement in our numbers, but, frankly, they weren't that good earlier. We had a combination of things like a lot of increased demand for calls, and we've had to reduce our staff in light of financial requirements.

Those two factors, in addition to, interestingly, a couple of other factors, like an increase in the population and newcomers—

• (1700)

Mr. Pat Kelly: Mr. Hamilton, first I would prefer an answer to my question.

You're going into what are beginning to sound almost like excuses. We heard from the minister that you have 58,000 employees. Now you're saying that you don't have enough to answer the phone.

If you can't tell me what percentage of callers get through to a person, can you tell Canadians what the average wait time is, if that's what you're focused on?

Mr. Bob Hamilton: I'll try to find that percentage, but it's a pretty high percentage that get through. The problem has been more that people had to wait for a long time.

Right now, what we're seeing, just based on the numbers I've looked at recently, is that people are getting through in minutes rather than hours, and that's very recent.

Mr. Pat Kelly: Is that like 45 minutes or 50 minutes? How many minutes?

Mr. Bob Hamilton: There was a stretch over summer when benefits periods come up when people had to wait for an hour plus on the phone.

I don't have it as a percentage.

Gillian, if you have the percentage of people—

Mr. Pat Kelly: That's okay. I have a lot of questions. I think I have my answer now.

The 2017 Auditor General report found that 30% of people who reached an agent were given incorrect information.

How have you done in that measurement? Do you have a current number for the people who are given accurate, helpful information?

Mr. Bob Hamilton: Yes, I was the commissioner in 2017 when I received that report. It was one of the first ones.

The issue there—and one could quibble with the Auditor General's methodology—is that about 70% of people were getting the right answer, and 30% weren't.

What have we done since then? We have a new system that allows us to record calls, so we get to hear what's going on and then take course-corrective actions if we need to speak to a particular agent about something. The end result, along with a few other changes, is that right now our accuracy rate is over 95%, and that's been steady.

Mr. Pat Kelly: Back then, you also thought that your accuracy measure was much higher than the Auditor General found. Has this been independently verified from outside of your own department?

Mr. Bob Hamilton: I'm not sure if anybody has verified it from outside, but we are very confident in it.

I'm looking to Gillian Pranke, who is our assistant commissioner, if she wants to add something at some point.

I'm very confident of that number because we now have the recordings.

Mr. Pat Kelly: I look forward to another audit of that.

A different report that came out in 2018 indicated that the agency would automatically assess taxes on tax filers if they failed to provide documents within 30 days, unless they had an offshore account or were an offshore filer. In that case, according to the Auditor General, time extensions were granted, or the taxes were in many cases just waived.

Is that still the practice of the agency?

Mr. Bob Hamilton: I would have to get back to you on that, because I don't remember that issue from 2018, unless one of my colleagues—

Mr. Pat Kelly: Let me refresh your memory:

For other taxpayers, such as those with offshore transactions, we found that the time frame to provide information was sometimes extended for months or even years.

Is it still the practice to extend requests for information for months or years?

Mr. Bob Hamilton: I don't know about the specific question you're raising, but the way I would respond to that in general is that we do try, in our compliance efforts, to be as understanding of what's going on as... That would apply to the individual business that you refer to or somebody in the offshore—

Mr. Pat Kelly: How so, when with a small business, you tell them they have 30 days and if they can't provide it in 30 days, they're done? They just assess the taxes.

Mr. Bob Hamilton: Again that's not something I'm very familiar with, so I'd have to check on whether that's actually true—whether it was true then or whether it's true now.

Mr. Pat Kelly: Are you questioning whether it was true then? This was the Auditor General.

The Chair: That is the time now, MP Kelly.

Now we're on to MP Baker, please.

Mr. Yvan Baker: Thanks very much, Mr. Chair.

Commissioner, I'm just wondering if you could speak a little bit about something I raised with the minister at a very high level.

We all have seniors living in our respective ridings; I just have one of the older communities in the country. Some feedback that I get from some of my seniors is that they'd prefer.... I mean, I prefer to work electronically and many folks might. That's a more efficient, a quicker and a more customer-friendly way to work for a lot of folks, but for some folks it's not, especially some of my seniors.

Can you talk a little bit about your allocation of customer service and processing resources to that stream of service relative to the electronic stream? Are you maintaining that or is that being scaled back in any way?

• (1705)

Mr. Bob Hamilton: I'm happy to respond to that, Chair.

There's no doubt that it works better for us and for a lot of people if things run electronically. It can be more efficient. We try to make that avenue work well and encourage people to use it, but there are definitely a lot of people who don't like that. It's just kind of...don't leave anyone behind. Our service offerings have to include those people who would rather not deal with us electronically.

For example, when tax filing season comes around, we mail out paper forms to people. We can often put in a little suggestion that they might want to try it electronically, but we do try to accommodate the way that people want to deal with this. That's kind of the approach we've tried to take in the agency over the last number of years. It's that there's no one service channel, so let's provide it in the way that people want and let them choose. It's kind of a service continuum.

We do try to make sure that with our paper offerings or...for people who want to interact with us in different ways, we keep those up so that all of the service channels are efficient. We might prefer that somebody go to a website rather than call us because that's easier and efficient, but we have call agents. We make sure we try to provide the best service we can on those calls.

We are trying to expand the range of services that we have, so that people like you can deal with us electronically, but people like my mother can deal with us via paper because that's what she prefers.

Mr. Yvan Baker: Linked to that, some constituents sometimes come into our office for help with interacting with your agency in regard to their taxes. One issue that sometimes comes up is that folks want to be able to remit payment by cheque. They want to remit to you folks at the CRA by cheque by Canada Post.

Is that something that you continue to offer and will continue to offer in the years to come?

Mr. Bob Hamilton: I believe so. What's going on in my head is that I recall something about mandatory payments electronically. I'm going to ask Gillian to comment on that.

Typically, we would allow people to pay in a form that they choose and that they prefer. Again, we always like things like direct deposit and electronic payments.

Maybe I'll turn to Gillian and see if she can just say where we are at right now on that issue you've raised.

Ms. Gillian Pranke (Assistant Commissioner, Assessment, Benefit and Service Branch, Canada Revenue Agency): Yes, Mr. Chair, we actually still have several million citizens who prefer to make payments by cheque. We still accept cheques as a method of payment at the Canada Revenue Agency.

Mr. Yvan Baker: Is the intention to continue to allow for that?

Other than the benefits one might get from using an electronic form of payment, are there any disincentives, fees or anything like that in place for those folks who use...?

I know what happens at the banks. Let's be frank. We all pay enough fees at the banks, but sometimes, if you want to get a paper statement now, some financial institutions will charge you for a paper statement, an extra copy of a statement or whatever.

I'm just trying to get a sense, for the sake of my constituents, if that is the model you're turning to on some of the more paper-based payment systems or disclosure statements?

I'm really thinking about payment by cheque through Canada Post. That's the example that comes to mind, but I'm just wondering if there's any intention to phase that down in any way or have people pay a fee for using that sort of service?

Ms. Gillian Pranke: Mr. Chair, it's very important for the Canada Revenue Agency to ensure that we don't leave any citizen behind. We are a "people first" organization and there are no plans to charge fees for individuals who wish to avail themselves of less digital solutions, whether they be paying by cheque or filing a return through the paper channel. Both are absolutely acceptable and are not discouraged.

Mr. Yvan Baker: Okay. Thank you very much.

The Chair: Thank you, MP Baker.

Now we'll go to MP Ste-Marie, please.

[Translation]

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

Commissioner, since 2015, not long before you took up your position, the number of Canada Revenue Agency employees has increased by nearly 50%. Nevertheless, departmental performance reports indicate that the agency is only meeting 48% of its targets. That means it's missing its targets by 52%. This is one of the worst track records in government.

The taxpayers' ombudsman, François Boileau, says that he is so swamped with complaints about the Canada Revenue Agency that he can't even process or respond to them all.

Le Journal de Montréal recently published a series of articles recounting the many horror stories that people have to tell about their experience with the agency's services. I apologize to the interpreters in advance, but the situation is so serious that the newspaper named this series of articles "Chaos at the Canada Revenue Agency."

The CBC/Radio-Canada has reported on all kinds of fraud and fraud schemes committed against the agency. On looking at the leaked tax haven documents, we see that the agency is really at the bottom of the list when it comes to recovering the funds associated with these leaks compared to European countries, the United States and even Revenu Québec.

Do you think that the agency's work and your work have lived up to expectations?

• (1710)

[English]

Mr. Bob Hamilton: You may not be surprised, but I will say, yes, I am very proud of what we do at the agency. I don't deny some of what you say. There are challenges facing us out there.

Yes, we have grown considerably since 2015. We grew a lot in the pandemic. We were asked to do a lot. We had a lot of work dumped on us that was outside of our normal work. I don't mean "dumped on us". Rather, it was placed upon us. We had to hire and we had to change our systems to be able to do that.

Did problems come from that? Yes, but I am very proud of what we did, both in getting benefits out the door and in ensuring adequate compliance to make sure that the right people got the benefits.

We have made quite a bit of effort since about 2018 to really become, as Gillian put it, "people first" and to think of the client first. We have made a lot of progress.

Now, there are a couple of forces working against us. We have certainly seen an increase in the amount of fraud. That's not just at the CRA; that's all businesses and organizations in all countries. It has placed a strain on our ability to deliver services in a timely way. If you think of it in a service versus security lens, we have spent a lot of time trying to provide great service and do things quickly, as I mentioned earlier. We're now looking at the security aspect and whether we need to adjust or recalibrate. That is something that all jurisdictions are going through.

I won't give you a litany of excuses for why we aren't meeting some of our service standards. I would just say that we've had to do a tremendous amount of work. We delivered the goods where we needed to and got out programs that the government wanted to implement. We've been there for the government, but yes, we are facing some stresses and strains. In particular, as financial resources get constrained, that will be upon us.

We talked earlier about debt collection. Not everybody in the agency is a debt collector, but we're collecting more debt now than

we did before. It's just that there's more debt out there because of the economy's growing and because of financial conditions.

I don't want these to sound like excuses, but there are a lot of factors that influence how our performance goes. We just keep striving to do the best we can, and I think we have a world-class organization on our hands.

The Chair: Thank you, Commissioner. We're well past the time.

We'll now go to MP Davies, please.

Mr. Don Davies: Thank you.

Mr. Hamilton, I'm Zooming in from my constituency. In the break, I went to ask my caseworker if she had any questions that she wanted me to put to you. She's the person who deals with my constituents' issues with the CRA. The report I got back was that the CRA is being very responsive, gets back to us generally within five days and is quite helpful in resolving issues. I thought I would throw this out. Kudos to those who work with MP offices. I wanted you to know that.

Mr. Hamilton, the CRA has a duty to report material breaches of taxpayer accounts to the Privacy Commissioner, who then reports directly to Parliament. In a report to Parliament in June, the Privacy Commissioner reported 71 breaches at the CRA in the fiscal year ending March 31, 2024. In the previous three years, 42 privacy breaches had been reported. However, in answers to questions from CBC/Radio-Canada's *The Fifth Estate*, the CRA admitted it was hit with more than 31,468 material privacy breaches from March 2020 to December 2023, affecting 62,000 individual Canadian taxpayers. The Privacy Commissioner noted that the CRA sent information on these breaches after the March 2024 reporting period, and that he will include the new numbers in the next year-end report.

Can you explain why the department failed to uphold that ministerial responsibility to Parliament in light of the significant under-reporting of privacy breaches by the CRA?

• (1715)

Mr. Bob Hamilton: Thank you. I'm happy to respond to that question.

First off, I have to say thank you for the kind words. In my job, I don't get a lot of compliments. We try to do the best job we can.

On the issue of privacy breaches, we're not happy that we weren't able to provide those to the Privacy Commissioner on a more timely basis. To understand the context we were dealing with and what led to that, in the early days of the pandemic, there was a fairly massive incident that affected not just the CRA but also others. We had a lot of privacy breaches that came out of that. As the minister indicated, at that time, our focus was on protecting the accounts and money involved. It wasn't as if we waited for three years to do something about it; we were doing a whole bunch of things to make sure we were blocking accounts. We were talking to taxpayers and finding out what happened. Often, it's not easy to figure out if there was or wasn't fraud. That took time, and we worked through it.

I would note that the OAG looked at this issue, and we reported on this in that OAG report. We said, in July 2022, that we had 23,000 cases for \$131 million. It wasn't as if there were nothing being reported, but we did not get them to the Privacy Commissioner in a timely way. We have now done that. We're all caught up on the 31,000 cases you referenced. I would expect that, having worked through it, we will now see a more regular strain. We are still getting frauds. We are still getting privacy breaches, but we're working on them, and I think they'll be in a more normal zone.

We have a relationship with the Privacy Commissioner where we can tell his office about things that are happening informally, so they can be prepared for it. Our commitment now is to get those privacy breaches to the Privacy Commissioner in a more timely way while we work on the cases.

The Chair: Thank you, MP Davies.

It's now over to MP Hallan.

Mr. Jasraj Singh Hallan: Thanks.

Chair, actually, this question is for you.

At the last committee meeting, we passed a motion to summon the finance minister to appear at this committee to answer for the fall economic statement before we rise from this fall session.

Have you reached out to the finance minister? If you have, have you heard back?

The Chair: That request came through the committee.

Clerk?

The Clerk of the Committee (Mr. Alexandre Roger): We cannot summon a minister, but I invited her.

Mr. Jasraj Singh Hallan: Have we heard back from her?

The Clerk: I haven't.

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

Mr. Hamilton, I want to clear up something about the minister's testimony.

The publicly reported number for the writeoffs was \$4.9 billion. A few minutes ago, she said it was \$4.3 billion. It's unclear to me whether that's going to be the number in the public accounts.

Can you rule out that the number for the writeoffs in the public accounts will be more than \$4.3 billion?

Mr. Bob Hamilton: Mr. Chair, let me give an opening, and then I'll turn to our CFO, Hugo Pagé.

One thing to recognize is that we report on the writeoffs in the public accounts. The public accounts for this year are not yet there. However, there is other information that comes out before the public accounts come in. That's where, potentially, the \$4.3 billion—

Mr. Marty Morantz: I'm not really looking for a huge explanation. I just wanted to know if you could rule it out.

I'm assuming you can't rule it out. You could say that.

• (1720)

Mr. Bob Hamilton: What am I not ruling out? I'm sorry. I just want to make sure I have—

Mr. Marty Morantz: Can you rule out that it will not exceed \$4.3 billion?

Mr. Bob Hamilton: I don't have that information. I'll ask Hugo.

Mr. Hugo Pagé (Assistant Commissioner and Chief Financial Officer, Finance and Administration Branch, Canada Revenue Agency): The number that will be reported in the public accounts for writeoffs is \$4.382 billion.

Mr. Marty Morantz: All right.

I want to ask you about the capital gains tax. It's a bit of a mess. It was introduced in the budget in the spring. There was a ways and means motion that got passed in June, and then another one that got introduced in September.

We have a minority government that seems to be on its last legs. It's in a precarious situation. The government could fall. There are transactions going on. People will presumably be paying you the additional capital gains tax based on the increased inclusion rate whenever that money is due early next year.

I'm just curious what would happen if somebody paid the additional tax, the government fell and a new government came to power that did not bring in implementing legislation. Would that additional tax be refunded to the taxpayers?

Mr. Bob Hamilton: Mr. Chair, just to respond, the situation you raise is not totally unique. We deal with this from time to time, when legislation or a notice of ways and means is put forward. The question is whether we administer it or not before it receives royal assent.

In this case, we've been clear that we are going to administer the provision as per the notice of the ways and means. People will have choices about how they decide to conduct their affairs and how they decide to file their returns.

In the specific case you've raised, the reason I mentioned the beginning part is that at the end, the legislation either gets passed or it doesn't. You then have to have some sort of reconciliation at that point. I will ask Gillian to confirm this, but at that juncture, we would try to write everything as if the legislation had never come.

Gillian, I just want to make sure I'm right on that.

Mr. Marty Morantz: That answer is good. I want to go on because my time is quite limited, but I thank you for that answer.

On another matter completely, in October, it was reported that there were 330 employees of the CRA who inappropriately applied for and received the CERB. They are no longer with the agency. These are people who were working who scammed the CERB program.

What efforts has the CRA taken to collect the monies that were improperly paid to those employees?

Mr. Bob Hamilton: Our normal collection processes would apply whether it's our employee or somebody else's. If they collected a benefit they weren't entitled to, it goes through our collections process and we get the money back.

I just want to clarify what we did, because that could have happened anyway through the normal thing. We looked to see who did it and investigated it, and as a result, terminated a number of employees. We had to go through a process because sometimes people can come in on a temporary basis, like students, so we looked at every case to make sure that it was inappropriate and they weren't eligible, and then we took action, but the collection was going to happen anyway.

Mr. Marty Morantz: Okay.

Do I have some time left?

The Chair: You have a few seconds.

Mr. Marty Morantz: A few seconds. I think that's good.

Thank you for your time.

The Chair: Thank you, MP Morantz.

Now we'll go to MP Thompson, please.

Ms. Joanne Thompson: Thank you.

Commissioner, other than audits, what compliance measures would the CRA use to reduce the tax gap?

Mr. Bob Hamilton: Mr. Chair, audit is definitely one factor. However, we try to think about getting long-term compliance in place, and that can come in other forms.

One can be through education. We work with businesses and individuals to make sure they understand their tax liabilities, so they become more accustomed to paying their taxes and we get the tax we need out of that. There's a real education part to this that helps us.

The other is—and I guess it's partly education—having a liaison officer program. They will go out and work with newer small businesses, saying, “Okay, you're entering into this business, and this is the kind of thing we see typically causing tax problems.” Again, it's about having a conversation. It's not an audit. It's just awareness

that these are the kinds of issues that...so you should watch out for them. Again, we don't have data to support it. Intuitively, though, we think we can get people into the groove of complying with the tax system if they understand it. Frankly, the tax system is complicated, and a lot of people don't know what problems could arise.

Yes, it's about audits. We try to publicize where we have enforcement actions just to make sure there's a deterrence factor there. However, there is a real education, and it's more on the benefit side—making sure people are aware of their tax obligations, and making it easier for them to get information so they do it right. It's about beefing up our website and having better information material.

Those would be things we focus on.

• (1725)

Ms. Joanne Thompson: Thank you.

I want to circle back for a second to the international group of, I think you said, five other partners

In those meetings, does the workaround you just spoke about—the efficiencies you put in place to reach out to businesses and individuals, and the service standards referenced earlier... Here, I have to shout out to the local CRA office in my riding. They're very good to work with.

Regarding the work you're doing with these other partners, can you measure it or speak about what's happening in Canada versus what you're seeing across those other countries? Probably, the rate of tax owed has been written off, as well. Are there trends you're seeing that we align with—or don't?

Mr. Bob Hamilton: Mr. Chair, in a broad sense, yes.

What I get from my counterparts are a lot of the same issues we're dealing with. Some countries are in a better place and others are in a worse place, but generally we're dealing with the same issues, such as the debt. This is particularly for tax administrations. It's not to the same extent as Canada, but they were also involved in delivering benefits through the pandemic. Now everybody is dealing with fallout from that.

I would say that some of the partners I talk to are very interested in the issue. How do we get compliance? We often talk about “taxes just happening”. How do we make compliance by design, or build it into the system so compliance can be there? In extreme cases, a number of countries have automatic filing where they just fill out the tax form for the person. That's more in the individual space than corporate. Only if the person has a dispute would they have to do anything. Otherwise, they just sign it and that's it. It's a very streamlined process. Now, you need a simple tax system to do that. You can't do it in a complicated way.

Yes, all of the countries are trying to find ways of dealing better with people to make it easier for them to file—to make compliance a much easier process, rather than a confusing one.

Now, for businesses, it's the same thing. We have liaison programs. We try to educate businesses to make it easier. You get people who don't want to comply, even if you make it easy, so we have to make sure we have good enforcement to deal with those.

The Chair: You have a minute.

Ms. Joanne Thompson: With a minute left, is there anything you would like, in the final round, to say to us—something that didn't come up that you'd like us to know?

Mr. Bob Hamilton: I won't go on for too long. Don't worry.

I just want to return to an important issue that we talked about, which is fraud.

I just want to say that there are a number of things that we're doing within the agency. It's not perfect, but just like any other organization, we're dealing with some very creative and aggressive people.

In the agency, we have set up a separate branch on security that is dealing both proactively and reactively with trying to prevent and identify where there are fraud risks. From doing that, hopefully we can prevent it from happening. If it happens, then we take action right away and close down that vector to protect the accounts, make sure the individuals are protected and make sure that we protect the treasury as much as we can.

This is an agency-wide effort. We are very devoted to it. I can't say we're perfect, but the effort is there. Relative to other organizations I know of, I think we're doing a very good job, both proactively and reactively.

I don't think there's anything else I really wanted to add other than....

We talked about whistle-blowers. My goal is to make sure that if people see something going on in the agency that they don't like,

they can feel free to raise it. As the minister said, we can't have people giving out taxpayer information. We have to be concerned about that. However, we do have mechanisms in place that, if someone sees something, they can go to their manager. We have an anonymous whistle-blower program within the agency. There's one that operates federal-government-wide. If that all fails, they should come to me and tell me.

I would note that in the very latest public sector survey, the agency scored quite well in terms of people feeling that they can bring their complaint forward without fear of reprisals [*Inaudible—Editor*]

• (1730)

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

Mr. Bob Hamilton: —which isn't total success, but I think it's a good sign—

The Chair: There's a point of order.

Mr. Adam Chambers: Sorry, I apologize for cutting in.

I appreciate the commissioner's comments, but we're now short of time. I know you have a hard stop at 5:30. We've waited four months. I'm going to request that we be able to submit some questions in writing.

The Chair: That's not a point of order, MP Chambers.

Mr. Adam Chambers: Listen, we're shortening the meeting unnecessarily when we have resources, so I'm going to request that we be able to submit some questions in writing to the officials, so that we can get answers back, which I think is a normal practice.

Is that fair?

The Chair: I'll ask the members.

Some hon. members: Agreed.

The Chair: Those will come to you in writing, Commissioner.

We do want to thank the commissioner, assistant commissioner, directors and all the officials who are with us here today, as well as the minister, who was with us for the first hour.

Thanks for coming before finance committee.

As you can see, members were very eager to ask many questions and you will also get some in writing through email.

On that, members, shall we adjourn?

Some hon. members: Agreed.

The Chair: We're adjourned.

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