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Chair

Mr. Rob Merrifield

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• (1535)

[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): I call the meeting to order. I see eight members here at the table or in the room, so we will start.

First of all, I want to explain the motion from the Bloc. Before I get to that there is one other change on your agenda. There is a notice of motion from Mr. Turner. That's a mistake on your agenda. There is no motion from Mr. Turner. That has been put off for a couple of weeks.

When it comes to the notice of motion by Mr. Crête, I said I'd rule on it. I've talked to the mover of this motion. There are two things about this. Just prior to calling the vote I asked, "Is that one or two meetings?" That was the intent of the motion. I've talked to the mover and he's okay with this. He would like one meeting on Monday to bring the department in to talk about this. Then we would continue with the actual vote on this, one way or the other. So I think we're okay with that. That's the way we'll rule on it.

But I do apologize because there was some confusion. We don't want that to happen again, so I'll make a commitment to the committee that prior to our voting on any motion I will have that motion read back to the committee, from this point on. I should have done it at that time, I guess, but that's what happens when you don't take that extra time.

Fair enough?

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): I just want to put it on the record, and I'm not going to challenge the chair, that if I had known we were voting to have hearings—because that was one of the friendly amendments I had suggested—I would have voted in favour of the motion instead of voting against it.

The Chair: That point is taken.

So we have consensus on that. We'll try to do that on Monday, subject to our getting through this, but I'm hoping we'll have that completed by tomorrow.

Now we'll move on to Mr. Dykstra's motion.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Mr. Chair.

First I would like to say that this is not just my motion; Mr. Pacetti probably deserves more credit for putting this forward than I do because he originally came up with the concept of going down this road. I re-worked part of his motion into what you see in front of you. Certainly he has spent a great deal of time with me, talking about the potential direction of it.

Quite frankly, it's kind of nice to come to the table at Finance every once in a while and say that we have the better interests of the country in front of us, and we can find ways to agree with each other and not necessarily always disagree. It doesn't mean that the outcome of this report will be something the Liberal Party and the Conservative Party will necessarily agree with 100%, but I think the intent is there.

I certainly want to thank Mr. Pacetti for his efforts on this, because I think it actually makes sense. I think it will be a study this committee can be proud of and look to as a longer-term potential strategy for the government—whichever government that may be—to use as a tool and an opportunity to potentially implement some of the research work and some of the effort we put forward on this report.

The Chair: We have the motion here.

Mr. Pacetti.

Mr. Massimo Pacetti: I would like to put a couple of things on the record. We don't necessarily agree 100%, but I think we agree on the basics.

We want this so we can give an option to the government. I think it's a long-term study. We're basically looking at tax reform. We've seen a lot of different articles, such as what the next phase is and where other countries are going with their taxation policy. And we're seeing a lot of changes.

I don't want to conclude what the report will say; I would prefer that we give options to whatever government is going to be here in the future. If the government chooses to focus on consumption taxes, then it would be about the repercussions on other taxes. I want to basically look at the overall revenues of the government and what it can sacrifice in lieu of another tax it may collect. That's why we included personal taxes, corporate consumption, and import tariffs. That's why we included all of them. But it's not exclusive.

If you look at the various ways the government has been collecting taxes in the past, one of the items that has been a bit unclear has been the collection of taxes for unemployment that don't necessarily go to that benefit. In the past they have collected taxes for airports and we're not sure if it all goes for airport usage. These are all different items. If any committee is going to study them, it has to be the finance committee. We look at taxation from A to Z.

One of the things that Rick and I discussed was travelling. One of the easier places to get to is the United States, but we would want to meet with the right people. Before we travel, I think we should have the research staff provide us with the work that has been done already so we don't duplicate it. I know there have been studies from all the reputable economists, but some of it is out of date. I would look at what's current out there.

We talked about Ireland as a model, but there are also some changes in how the Nordic countries are looking at their taxation policy. And of course there's the whole European Union and the way they're changing the taxation of their constituencies.

I think this could be a very lengthy and very detailed study, and I think it's going to require non-partisanship and a bit of work before we can actually do the work.

I would like to conclude on another point. My idea for having this motion, as I said, is for the long term. It's not to necessarily get it done before a certain date. If there are bills or other motions that interrupt this study, I would have no problem with that.

• (1540)

The Chair: Okay. We hear the intent of it.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chair.

Overall, we find the proposal interesting. However, I would like to move an amendment that would add five points to the list that follows “notamment”, which corresponds to the phrase “but not limited to” in the English version.

The additional points are as follows: tax credits for research and development; tax measures designed to assist resource areas; replacing federal cash transfers to the provinces with an equivalent transfer of tax fields; the impact on the provinces' fiscal capacity of reforming equalization to include 100% of the taxes from natural resources, and tax mechanisms designed to counteract the disparity in growth between east and west.

If Mr. Dykstra's motion goes forward, I am going to move an amendment that these five points be added. Then we can see how the committee wants to deal with them.

[English]

The Chair: I'm going to ask the mover if he sees those as friendly amendments.

Mr. Rick Dykstra: I'd like to hear the list again, because I'm not sure they all reflect tax policy.

When you talk about transfers to provinces, I don't see that as being formal federal tax policy. It may be equalization or transfer payments, but I don't see them as representative of any type of tax policy, unless you're suggesting that other countries potentially work the same way in terms of federal transfers to provincial governments, or federal governments to a state. I'm not sure what transfers have to do with the study of tax policy.

The Chair: Okay. So I'm taking that as—

Mr. Rick Dykstra: There are some in there that I don't have a problem with, because they relate specifically to tax policy.

The Chair: There's the situation; he sees part of it as unfriendly.

[Translation]

Mr. Paul Crête: Perhaps we could look at those that cause no difficulty; then we would know right away which ones stay on the list. In that way, we could easily decide how to deal with them. I can read them again one by one, and we can see if any of them cause a problem.

[English]

The Chair: Okay, let's reread them very quickly. I'll ask the mover and Mr. Pacetti to see which ones they accept or do not accept. We have two movers of the motion, so let's read those again.

Did you get them, or do you want to speak to them now?

Mr. Massimo Pacetti: Let me speak to it, because it's going to very clear.

If you look at the fiscal monitor, we want to look at tax collection or the revenue portion of what the government takes in. So if we want to go through the list, we're looking at personal income tax, corporate income tax, and other income tax. In the category of excise tax and duties, it's goods and services taxes, custom import duties, sales and excise, air travellers. Then there's the employment insurance premium portion, and anything else that falls under other revenues.

We don't want to be looking at expenses, because it will be the choice of the government of the day to decide how they will spend the money. We don't want to look at *les dépenses*. We want to exclude that.

The Chair: It sounds pretty comprehensive.

• (1545)

Mr. Massimo Pacetti: Yes, and the first sentence says:

...the objective of tax policy should be to collect sufficient revenue to provide required services in the least costly manner...

I think that covers everything.

The Chair: Are you okay with that, Mr. Crête? He just described a pretty broad motion. Do the ones that you refer to incorporate the definition of what you just heard?

[Translation]

Mr. Paul Crête: All the measures I have proposed are part of the overall tax base that we are dealing with. Tax credits for research and development, for example, seem to me to be a relevant topic for a study. If another term seems more appropriate to you, we can look at it, but, I feel that tax mechanisms to counteract the disparity in growth between east and west are a very current concern that will affect taxation in Canada in the coming year.

[English]

The Chair: We're not going to go around and around forever. They either are a part of what he accepts as a friendly amendment or we'll see it as an amendment and vote on it.

I see heads shaking.

Mr. Mike Wallace (Burlington, CPC): I want to speak to it.

Mr. Massimo Pacetti: Those are exceptions.

The Chair: That's what I say. Okay, so we're now debating the amendment.

Mr. Mike Wallace: That's what I want to speak to.

I understand what Monsieur Crête would like to accomplish. I think the two movers of this motion have worked out four or five things they want to deal with.

I want to point something out. I don't know how it translates, but in English it says "but not limited to". As we go through the process, if there are other things that Monsieur Crête wants to add, and he gets consensus from the group to add them, that option is already there. I don't think we need the amendment, so I'll vote against the amendment and just move on to the next one.

The Chair: Okay.

Mr. McCallum.

Hon. John McCallum (Markham—Unionville, Lib.): Basically I agree with what Mike Wallace has said. I think this is a broad enough list. It's a major study as it is. We don't want to bring in everything under the sun or it will be so broad we won't be able to achieve anything concrete.

The Chair: There's one more questioner.

Mr. Christopherson.

Mr. David Christopherson (Hamilton Centre, NDP): I just want to mention that it sounded as though everyone could support some of the suggestions in the amendment but not all of them. I wonder if there's any chance we could do them one at a time, if you're going to go for a vote.

The Chair: We have a bulk there. It sounds as though there's a consensus that it's pretty broad, and if we could incorporate it, that would be okay.

Mr. Crête, I think the call is yours right now, because we're going to move on very quickly here.

[*Translation*]

Mr. Paul Crête: The last sentence in the first paragraph reads:

Whereas the global economy requires Canada's tax policy remain competitive...

But, as for competitiveness, when something stipulates what must be provincial responsibility and what must be federal responsibility, that is about competitiveness.

I do not want to take any more time debating this. I can support my colleague's idea. Let me just read the items in the list to you one after another and we can decide which ones we are going to keep. Rick seemed to be ready to include some of them. Whether we keep one, two or three, we can move on.

[*English*]

The Chair: Okay, read them one at a time, and I'll ask the movers if they agree with them or not.

Let's have the first one.

[*Translation*]

Mr. Paul Crête: Who is in favour of the tax credits for research and development?

[*English*]

The Chair: Do you agree?

Some hon. members: No.

The Chair: No. Okay, let's have the next one.

[*Translation*]

Mr. Paul Crête: The majority said no, correct?

[*English*]

The Chair: It is not the majority; it's the movers. We can ask the majority if you want, but I don't want to stretch it out.

[*Translation*]

Mr. Paul Crête: I would prefer a vote so that the matter is settled.

[*English*]

Mr. Mike Wallace: You are better off moving them one at a time. Vote them down and then we're done.

The Chair: Okay, all in favour of that one?

Some hon. members: No.

The Chair: It is down. Could we have the next one?

[*Translation*]

Mr. Paul Crête: Tax measures designed to assist resource areas.

[*English*]

The Chair: All in favour?

The Chair: No, it is not in.

[*Translation*]

Mr. Paul Crête: Replacing federal cash transfers to the provinces with an equivalent transfer of tax fields.

[*English*]

The Chair: All in favour?

Some hon. members: No.

The Chair: No, it is down.

[*Translation*]

Mr. Paul Crête: The impact on provincial fiscal capacity of reforming equalization to include 100% of the taxes from natural resources.

[*English*]

The Chair: Are you sure you want to vote on it? All in favour?

Some hon. members: Yes.

Some hon. members: No.

The Chair: Two in favour, the rest opposed.

[*Translation*]

Mr. Paul Crête: Lastly, tax mechanisms designed to counteract the disparity in growth between east and west.

[*English*]

Hon. John McKay (Scarborough—Guildwood, Lib.): That's a redistribution.

The Chair: All in favour?

Some hon. members: Yes.

Some hon. members: No.

The Chair: Three in favour, the rest opposed.

Okay, we're going back to the main motion. All in favour?

Mr. Pacetti.

• (1550)

Mr. Massimo Pacetti: Mr. Chair, before we undertake this study, I just want to clarify that we'd like the research staff to do a bit of research. I know they are going to be busy with the pre-budget. Perhaps Ray and I could sit down with the research staff to come up with a plan and discuss what we'd like in terms of research before we undertake the study.

The Chair: I would suggest that we go to the steering committee so it would incorporate everybody. Is that fair enough?

Mr. Massimo Pacetti: Yes.

The Chair: Okay.

[Translation]

Mr. Paul Crête: I would like us to vote on the motion.

[English]

The Chair: I am about to call a vote.

[Translation]

Mr. Paul Crête: I would like us to vote on the motion. Let us not forget to vote.

[English]

The Chair: This is a vote on the motion. No?

Mr. Laforest.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, , BQ): You held a vote on all of Mr. Crête's proposed amendments, but you said that we would then vote on the motion as a whole. But if the motion is passed and a study on taxation is undertaken, each time that the study comes across tax credits for research and development, does it mean that we will not look at them because you did not pass that item? I would like a clarification on that.

[English]

The Chair: I'll ask one of the movers here.

[Translation]

Mr. Jean-Yves Laforest: So does that get sort of excluded from the study?

[English]

The Chair: Mr. Pacetti.

[Translation]

Mr. Massimo Pacetti: The principle and the idea behind the motion is to see what manoeuvring room the government has when it comes to revenues. Tax credits are an expense; there is a whole list of expenses. When witnesses appear before the committee, nothing is stopping us from asking them how the government could spend its revenues. That's it.

Mr. Jean-Yves Laforest: That is in the tax policy.

[English]

The Chair: Okay, let's do it through the chair. Go ahead.

[Translation]

Mr. Jean-Yves Laforest: When we do a comparison examination of Canada's tax policy with the policies of other countries and we see that, in those other countries, the policy deals with transfers...I do not know which countries we will be talking about, but if their structure of government means that there are transfers in their tax policy, do you think that that could never be appropriate? I am just asking.

[English]

The Chair: We're going back to the main motion right now and we are going to ask for a vote on the main motion.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: It's unanimous.

There we go, perfect. Who said we can't do something unanimously in the finance committee?

Thank you very much. We will now move into the in camera session. We will take a second or two to make that happen.

[Proceedings continue in camera]

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