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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Tuesday, March 23, 2010**

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**Chair**

**The Honourable Shawn Murphy**



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•(0905)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** At this point in time, I will call the meeting to order.

I want to welcome everyone here. *Bienvenue à tous.*

Colleagues, this meeting is called pursuant to the Standing Orders to deal with chapter 3, "Income Tax Legislation", in the 2009 fall report of the Auditor General of Canada.

The committee is very pleased to have with us, of course, from the Office of the Auditor General of Canada, John Rossetti, the Assistant Auditor General. He's accompanied by Vicki Plant, principal. From the Canada Revenue Agency, we have back before us Linda Lizotte-MacPherson, the commissioner. She's accompanied by the assistant commissioner, Brian McCauley. And from the Department of Finance, we have the deputy minister and accounting officer, Mr. Michael Horgan. He's accompanied by Louise Levonian, senior assistant deputy minister in the tax policy branch; and Brian Ernewein, the general director in the tax policy branch. Again, welcome to everyone.

We're going to ask for opening statements now. We will start with the Office of the Auditor General. Mr. Rossetti, the floor is yours.

**Mr. John Rossetti (Assistant Auditor General, Office of the Auditor General of Canada):** Mr. Chair, thank you for this opportunity to discuss chapter 3 of our 2009 fall report. Joining me at the table is Vicki Plant, the principal responsible for the audit.

In our chapter on income tax legislation, we focused on activities within the Department of Finance and the Canada Revenue Agency that helped to provide or improve legislative clarity to both taxpayers and tax administrators. We looked at how the Department of Finance develops technical amendments for tabling in Parliament.

Technical amendments are changes made to correct anomalies that arose after the original tax measure was passed and to correct consequences that were not intended. These amendments do not introduce new tax policy or change existing tax policy.

[Translation]

In addition, we examined how the Canada Revenue Agency assists the Department of Finance in identifying and developing technical changes that may be needed in legislation, and how the Agency provides taxpayers and its tax auditors with guidance on the application and interpretation of the Income Tax Act. Legislative clarity is important if taxpayers are to easily self-assess and correctly calculate their taxes.

When the intent of the legislation is not clearly conveyed by the words, taxpayers may face higher costs to obtain professional advice, may be more willing to use aggressive tax plans, and may need to re-file a tax return at additional cost.

Uncertainty about how the tax law should be interpreted can also affect the efficiency of tax administration. For example, there are higher costs for the Agency to provide additional guidance and interpretation to taxpayers and tax auditors. There are also increased administrative costs for the Agency to obtain waivers from taxpayers to extend the limitation period for audit reassessments until the uncertainty is resolved.

[English]

We found that the list of outstanding technical amendments to the Income Tax Act has been growing and that no new income tax technical bill has been passed since 2001. In the past, the government said an annual technical bill of routine housekeeping amendments to the act is desirable. This has not happened.

At the time of our audit, there was a backlog of at least 400 technical amendments. Some of these were included in the proposed legislation that was first tabled in 2002 but has not yet been enacted.

Our chapter illustrated two commonly encountered situations where technical amendments tabled in 2002 were needed. One situation was to avoid double taxation on income when a partner leaves a partnership, and the other was to clarify the taxation of income arising from non-competition agreements.

We recommended that the Department of Finance develop and implement a plan to address the backlog of required technical amendments. We also recommended that the department regularly draft technical amendments and release them to the public so that taxpayers and tax practitioners know what changes will be made and can provide input to the department.

[Translation]

Finally, Mr. Chairman, we looked specifically at the guidance the Canada Revenue Agency provides to taxpayers and its auditors when the interpretation and application of the legislation may be unclear. We did not examine the more general guidance provided by the Agency, such as tax guides, pamphlets, phone service and its website. Rather, we concentrated on more specific guidance that is available through advance income tax rulings, tax interpretations, and interpretation bulletins. In this part of our examination, we had two key findings.

First, we found that income tax advance rulings were valued by taxpayers and tax advisors because these provide them with tax certainty that is essential for complex business transactions to proceed. However, these important rulings were not meeting the Agency's own standards for timeliness. We recommended that the Agency develop more concrete plans to meet its own performance targets.

Second, we found that some of the information in the Agency's income tax interpretation bulletins is no longer current and the public is not always made aware of that fact. Our chapter illustrated this concern by referring to an interpretation bulletin that is providing out-of-date information to taxpayers about scholarship income exemptions. We recommended that the Agency improve the advice it provides to corporate and individual taxpayers about specific paragraphs of these interpretation bulletins that are no longer accurate.

• (0910)

[English]

Mr. Chairman, where the Department of Finance has identified the need for technical amendments to the Income Tax Act, it's important that the amendments be set forth in proposed legislation in a timely fashion. Your committee may wish to ask the deputy minister of finance how the department plans to address the current backlog of required technical amendments and to explain the department's strategy for keeping the Income Tax Act up to date in the future.

[Translation]

Mr. Chairman, that concludes my opening statement and we would be pleased to answer your committee's questions.

[English]

**The Chair:** Thank you very much, Mr. Rossetti.

We're going to now hear from commissioner Linda Lizotte-MacPherson from the Canada Revenue Agency.

Go ahead, Ms. MacPherson.

**Ms. Linda Lizotte-MacPherson (Commissioner, Canada Revenue Agency):** Thank you, Mr. Chair, for the opportunity to present the Canada Revenue Agency's action plan to address the recommendations contained in chapter 3 of the Auditor General's November 2009 report. The chapter is entitled "Income Tax Legislation".

[Translation]

As you will be aware, the audit involved both the Department of Finance and the CRA, and I am before you today to discuss the actions of the CRA.

[English]

I may also draw on the expertise of my senior official, Mr. Brian McCauley, assistant commissioner of the legislative policy and regulatory affairs branch, who is with me here.

[Translation]

Both my remarks today and our action plan in both official languages were provided to the Committee in advance. I will therefore keep my remarks brief.

[English]

The CRA agrees with the Auditor General's recommendations for enhancing its tools and processes, not only to better equip taxpayers and tax practitioners to comply with the Income Tax Act, but also to further develop the CRA's ability to administer the act and to analyze and validate related technical issues.

The Auditor General's first recommendation is that the CRA should create an electronic database to assist in validating, analyzing, and prioritizing technical issues that should be referred to the Department of Finance.

Because of its excellent working relationship with the Department of Finance, the CRA communicates regularly with finance officials, bringing to their attention technical issues that warrant referral.

[Translation]

That said, we had considered developing a database and system to improve our management of technical issues.

[English]

The observations and suggestions made during the audit process provided us with the final impetus to move forward with such a system. Consequently, we were able to move quickly, and the new electronic file management system was in place in December 2009. While we will continue to refine the system in the coming months, it is already proving its value.

[Translation]

Of course, systems solutions are not the complete answer to improving our analysis and management of technical issues.

[English]

As an agency, we've identified the review of our legislative recommendation process as one of our key priorities. A working group is in place, consultations within the CRA are complete, and consultations with the Department of Finance will take place later this spring.

[Translation]

I expect the full review to be finalized by the end of this year.

[English]

Secondly, noting the value of the CRA's advance income tax rulings service to tax practitioners and their clients, the Auditor General recommends that the CRA develop more concrete plans to meet its own target times for these rulings.

[Translation]

The CRA is committed to providing timely, accurate and transparent information to taxpayers.

[English]

Every year, the CRA's income tax rulings directorate provides approximately 250 advance income tax rulings, 1,200 technical interpretations to practitioners, and 1,000 technical interpretations to our auditors, and responds to over 15,000 telephone inquiries from tax practitioners, taxpayers, and CRA auditors.

We are confident that our advance income tax rulings service is appreciated, as it gives tax practitioners certainty about a client's proposed business transaction.

In response to the Auditor General's recommendations, the agency is formally evaluating turnaround times and trends with respect to these rulings. We need to ensure that our service standards adequately reflect the time that we require to make a decision, given the increased complexity of the cases and their importance both to the taxpayer involved and to government. We expect that our study will be completed this year.

Finally, the Auditor General reviewed our income tax interpretation bulletins and concluded that the CRA should revise the paragraphs that contain information that is no longer accurate.

Since the introduction of these bulletins in the early 1970s, the agency has significantly expanded both the quantity of technical guidance we provide and the means by which we make it available. Today, we provide more information to more users in a more timely fashion than we could have ever contemplated back in 1970.

Just consider the accessibility and transparency that the thousands of pages of information available on our website now provide to Canadians. None of this information was so readily available and easily accessible in the 1970s. Of course, we also provide up-to-date technical information in a variety of other mediums, including pamphlets, guides, tax return packages, technical opinions, and conference responses.

As we indicate in our response to the Auditor General's recommendations, we want to take the time to consult practitioners and other users as to the value and the utility of income tax interpretation bulletins. Their input will help us determine whether there are more efficient ways in which we could deliver the same quality of information to them.

We thank the Auditor General for her report and its recommendations. We are confident that our action plan will help to ensure that the CRA has well-managed processes in place to identify and develop technical amendments and to provide taxpayers and practitioners with timely and accurate information.

● (0915)

[Translation]

Thank you again, Mr. Chairman, for providing the opportunity to present our action plan to the Committee.

[English]

**The Chair:** Thank you very much, Ms. Lizotte-MacPherson.

I will point out that we all have the action plan presented by the Canada Revenue Agency, which will be posted on the website of the Standing Committee on Public Accounts.

Finally, we'll hear from the deputy minister and accounting officer of the Department of Finance, Mr. Michael Horgan.

Mr. Horgan.

**Mr. Michael Horgan (Deputy Minister, Department of Finance):** Thank you, Mr. Chair. Thank you for the opportunity to present the Department of Finance's plan to address the recommendations contained in chapter 3 of the Auditor General's November 2009 report, entitled "Income Tax Legislation". This audit involved both the Department of Finance and the Canada Revenue Agency, and I'm before you to discuss the actions of the Department of Finance.

I may also draw on the expertise of my senior officials, Louise Levonian, assistant deputy minister of tax policy, and Brian Ernewein, general director of the tax policy branch, who are here with me today. I will keep my remarks brief, as both the remarks today and the action plan were provided to the committee in advance in both official languages.

With respect to the Auditor General's first recommendation,

[Translation]

Chapter 3 of the Auditor General's Fall 2009 Report examined the processes by which the Department of Finance develops legislative amendments to correct technical issues in the Income Tax Act.

The report considered whether the Department has well managed processes in place to comprehensively record, track, and prioritize legislative issues, and whether it uses these processes to identify areas for potential technical amendments.

The Auditor General found that departmental officials are well-informed about the issues but that the Department relies too heavily on people-dependent processes, and does not make effective use of its available electronic tools.

The Auditor General's first recommendation to the Department of Finance was that the department should use an integrated and consistent process for recording, tracking, and prioritizing all technical issues for possible legislative amendment.

The Department agreed with the Auditor General's recommendation and has taken the following actions in response:

The Department has prepared a consolidated inventory of outstanding comfort letters and outstanding technical changes and has updated its existing electronic database to include all outstanding technical amendments, including all outstanding comfort letters.

The Department has commenced a project to acquire a new electronic database for tracking technical amendments, and has been working to define its database needs and canvas the various software options. The main criteria for choosing a new database will be the ease with which it can be used and updated, and its ability to comprehensively record and track legislative issues.

It is expected that the new database will be chosen and put in place during the 2010-2011 fiscal year. The Department expects that all existing data will be transferred to the new database and that the new database will be consistently used and updated by the appropriate tax policy officers by March 31, 2011.

• (0920)

[English]

Finally, a system of organizing the prioritization of outstanding technical changes is being formalized to ensure that items are dealt with in an appropriate and timely manner. The criteria in determining the priority of a particular change include the amount of revenue, if any, involved; the number of taxpayers affected and the impact on them; and whether issues are created with respect to the administration of the tax system.

The Auditor General's report also notes that while it is not solely within the Department of Finance's control, the list of outstanding technical income tax amendments has been growing. The Auditor General's second recommendation contained two parts. In the first part, the Auditor General recommended that the department should develop and implement a plan to address the current backlog of needed technical amendments.

The department agreed with the Auditor General's recommendation and has taken action in response. First, the department recognizes the importance of providing certainty for taxpayers and has, on a number of occasions, prepared bills with technical amendments. The department will continue to work toward ensuring that necessary technical amendments are put forward for consideration on a timely basis. Second, the department is in the process of preparing legislation for the next technical bill. Measures identified in comfort letters by tax legislation staff and CRA officials are being reviewed and prioritized for release in a forthcoming technical bill.

Finally, further smaller packages of technical amendments are being prepared or planned. The expectation is that by releasing such smaller packages on a regular basis, the process can be much more manageable and efficient.

Moving on to the second part of the Auditor General's second recommendation, the report notes that in the past the department has released packages of proposed technical amendments to the public for comment. As such, the Auditor General recommended that the department develop and release draft technical amendments, including those arising from comfort letters, on a regular basis for comments so that taxpayers and tax practitioners know what changes will be made and can provide input to the department.

As I indicated earlier, further packages of technical amendments are being prepared. In the context of this recommendation, the department did indicate that it would consider whether there would be circumstances where it would be appropriate to bring forward subsequent draft technical amendments when a previous technical

bill is still pending before Parliament. The concern in this regard is the need to protect against confusion and complexity that could arise from having multiple bills that amend the same provisions before Parliament at the same time.

In conclusion, we would like to thank the Auditor General for her report and its recommendations. We are confident that our action plan will ensure the department has processes in place to comprehensively record, track, and prioritize all technical issues for possible legislative amendment and that we have put in place a plan to address the list of outstanding technical income tax amendments.

Thank you again, Mr. Chair, for providing the opportunity to present our plan to the committee.

• (0925)

**The Chair:** Thank you very much, Mr. Horgan.

We're now going to go to the first round, which will be seven minutes. Leading off will be Mr. Lee.

**Mr. Derek Lee (Scarborough—Rouge River, Lib.):** Thank you, Mr. Chairman, and thank you to the witnesses for appearing today.

From my point of view, the thing that jumped off the page was the large backlog of proposed technical amendments. It's been almost ten years since the department got some technical amendments passed, so I don't really understand why that evolved. But it's nice that it's been recognized and it's nice that there's a good relationship between CRA and the finance department. That's wonderful, but I'm not sure anybody's listening. It's a good relationship: CRA talks, the finance department listens, but doesn't do anything.

I'm very surprised that one of the solutions is to go out and develop a new database. When I was in high school I used to go out and get some new paper and get a new binder and make lists and stuff like that. So keep your receipts and don't go over budget.

I'm going to ask a question of the finance department or perhaps of one of the individuals who accompanied Mr. Horgan. Have you ever heard of the Miscellaneous Statute Law Amendment Act?

**Mr. Michael Horgan:** Yes.

**Mr. Derek Lee:** Good.

I was checking last night, and the last time there was a Miscellaneous Statute Law Amendment Act was in 2001. That's a process whereby all these little technical amendments can be bundled together by the justice department from all kinds of statutes.

Back in 2001 I think there were some 65 separate technical amendments made to all manner of statutes in this one statute. It's non-controversial. You put them all in one bill and you ship them off to the justice committee. They get passed. If there are any problems, they get yanked from the bill.

So I'm curious why that process wouldn't have been used by the finance department to accomplish at least a few hundred, just knock off the first 100 or 200 of these technical amendments. Wasn't it possible to do that? Why wasn't it done? The process already exists. We're not reinventing the wheel here, we're just.... Could somebody answer that?

**Mr. Brian Ernewein (General Director, Tax Policy Branch, Department of Finance):** Thank you for the question. It's very helpful.

We have heard of the Miscellaneous Statute Law Amendment Act, but I'm highly doubtful that it would have application in this circumstance. As I understand it, that provision deals with purely technical changes, such as the name of a changed department or the title of a minister. You can make amendments under that act to update the title or the reference. You can correct punctuation. You can do things of that nature.

The amendments under discussion here are certainly technical amendments, but they're substantive technical amendments. They affect people's tax liability. Given the nature of comfort letters, they're generally to remove a tax liability in a circumstance where it's not consistent with a policy that would apply.

It's my view that you wouldn't be able to use the statute you're referring to to make the changes of this nature.

**Mr. Derek Lee:** Okay, here are the four criteria for a miscellaneous statute law amendment: must not be controversial; must not involve the spending of public funds; must not prejudicially affect the rights of persons; must not create a new offence or subject a new class of persons to an existing offence. That gives a lot of leeway, and yes, substantive changes can be made.

Anyway, I'm not going to go on. The concept has been offered; it's been out there. I'm just curious why this stuff has sat around. This committee itself did have a backlog; I think we had seven files sitting here a couple of weeks ago. These things can happen in government, especially when you have surprise—

**The Chair:** Not since 2001.

**Mr. Derek Lee:** Okay. But, you know, things like surprise prorogations tend to delay things. You get backlogs.

Anyway, I'll turn to my colleague, Monsieur Dion, if there's time.

**The Chair:** Two and a half minutes.

**Hon. Stéphane Dion (Saint-Laurent—Cartierville, Lib.):** Will I have another opportunity to speak longer? Will you add the two minutes and a half to that?

• (0930)

**The Chair:** I don't normally, but we can in this situation, Mr. Dion, if that's what you wish. That's two minutes exactly.

[*Translation*]

Madam Faille, you have five minutes.

**Ms. Meili Faille (Vaudreuil-Soulanges, BQ):** Thank you, Mr. Chairman. Welcome to the Committee.

I would like to put a question to you. The last time that a bill was tabled, it was studied by the Standing Committee on Finance, in 2007. Certain measures targeted, among other things, tax deferral

and tax avoidance using foreign investment entities and non-resident trusts.

The bill moved through all stages in the House of Commons, but after its referral to the Senate, it died on the *Order Paper*. Statements had been made. The fact that these measures were postponed from one budget to the next despite the fact that announcements had been made had a deterrent effect on corporations. Is that still the case?

When a witness from the Department of Finance came before the Committee to discuss this matter, it was stated that this was a source of 90 billion dollars in potential income that the government was missing out on. What is the situation today?

I am trying to determine the impact of non-passage of the bill. It could be quite considerable.

[*English*]

**Mr. Brian Ernewein:** Thank you for the question.

I'd like to speak to two points. One is just very briefly the history of the technical bill that included these provisions. The bill was actually introduced in the Parliament that included the year 2006—I've forgotten which number that is—as Bill C-33, and did receive third reading by the House of Commons, but then Parliament prorogued. In the next Parliament it was reintroduced as Bill C-10, that is, both the technical amendments package as well as the foreign investment entity and non-resident trust provisions. That bill proceeded to committee stage in the Senate, but did not pass before the House prorogued for the subsequent election.

The provisions relating to foreign investment entities and non-resident trusts were the subject of commentary by a panel struck by the government. It was an international panel chaired by Mr. Peter Godsoe. Their suggestion was that the proposals be reviewed to ensure they strike the right balance between revenue protection and fairness. Indeed, the government did do that.

In the March 4 budget there was a revised proposal issued by the government, which proposed to take the existing rules relating to foreign investment entities instead of the foreign investment entity rules put forward in Bill C-33 and tighten them somewhat, but essentially cleave more closely to the current rules.

In relation to non-resident trusts, the budget proposes to go forward with those proposals but with a number of material changes, to try to make sure they're targeted as best as possible. There is a specific proposal in the budget, which is to be the subject of consultation.

[*Translation*]

**Ms. Meili Faille:** Is the justification the fact that the effect has been so popular and such a deterrent that the measures previously proposed are no longer necessary?

**Ms. Louise Levonian (Senior Assistant Deputy Minister, Tax Policy Branch, Department of Finance):** I might try to answer the question. Normally, when a bill is put before Parliament, the CRA administers it as long as that has not become law. For the time being, what was contained in Bill C-10 continues to apply.

**Ms. Meili Faille:** Very well. My next question relates to another matter.

In a report produced by PricewaterhouseCoopers Canada and entitled "Canada's Tax Regime: Complexity and Competitiveness in Difficult Times", mention is made of the number of days required, on average, by a corporation to produce an income tax return. It is the case that it is 1,696 days, which places Canada behind several other countries in the world.

Have you ever thought of the impact on individuals and corporations of the fact that you have not implemented the Act and that coordination between the Canada Revenue Agency and the Department of Finance is insufficient?

I saw the action plan and, as my colleague stated earlier, you are going to set up a lovely database. You have identified the information, but in what way is the plan that you are proposing this year going to deliver results? Do you have a bill ready to be tabled in the House?

• (0935)

**Ms. Louise Levonian:** The changes made to Bill C-10 do not yet have force of law. We are in the process of preparing a series of changes. We have also done the complete inventory of the remaining technical amendments. We are preparing a smaller group of changes as well. We wish to try and make this public so as to, once again, gather comments.

**Ms. Meili Faille:** Has there been a consolidation of the Canada Revenue Agency's list and of yours? Do you have the same priorities? Could you at least share with us the 30 top priorities on the list? And, if not, could you provide us with a document outlining these 30 top priorities?

**Ms. Louise Levonian:** Concerning the way in which the CRA and the Department of Finance work together, I would tell you that when there are technical amendments, the CRA notifies us of them, and these are then integrated into our database.

**Ms. Meili Faille:** Do you have a joint document indicating what your priorities are and the anticipated revenue?

[English]

**Mr. Brian Ernewein:** I think it's important to note that these are proposed legislative changes. They are views presented as a list of possible technical changes prepared by the officers and the chiefs and generally the tax legislation division. I have not vetted them, nor has the assistant deputy minister, the deputy minister, or the minister, so they have not been approved by the government for release. It's only when we prepare such a document of proposed legislative changes, take it to the minister, and seek his or her approval of those changes that they're amenable to release by the government. Before then, they're essentially legislative proposals that probably represent cabinet confidences. They presumably do.

**The Chair:** Thank you, Madam Faille.

Go ahead, Mr. Christopherson, for seven minutes.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you very much, Chair.

If I can, I'd rather make an issue of this now. I'd just ask that we review in our steering committee your immediate ruling about banking the two minutes. That's new; we've never seen it before. I don't want to interrupt this proceeding, but I would like to review that ruling by you, Chair. We'll take that up later.

Thank you all very much for attending today. We start off a new session with less than a huge bang, but it's interesting nonetheless. I know I didn't vote for this subject to come up. I was trying to figure out who did. I think it must have been the government. There are other things that I thought were of greater interest.

However, I'm curious, of course, about how we got into this situation. The Auditor General's report on page 2 states that:

Although the government has said that an annual technical bill of routine housekeeping amendments to the Act is desirable, this has not happened. As a result, the Department of Finance Canada has a backlog of at least 400 technical amendments that have not been enacted, including 250 "comfort letters" dating back to 1998, recommending changes that have not been legislated.

I'm curious. When things are running as they should, what would the process be for this annual review? I just heard a little bit of it, this gathering of things. Ultimately what I'm looking for is, obviously, to know where the breakdown happened. Where did the system not work the way it should?

You mention, sir, that there is a gathering of the issues by front line supervisors, and then it goes to the next step; it needs to go to the next step before it has any reality to it. So why wasn't this happening? Where did things break down?

• (0940)

**Mr. Brian Ernewein:** I'm not certain I take your point that there was a breakdown. I certainly recognize that it's been a long while since there's been a package of technical amendments implemented, but it's important to review the history of this.

We have said or acknowledged that it would be desirable to have a package of technical amendments issued annually. I think that was said at a time before the comfort letters themselves were functionally being published. For the past several years they have been published by the commercial tax services within a month of two of their issuance by us. So communication of the contents of the comfort letters is less of an issue than it was at that time.

That doesn't take away from the point that it would be desirable to issue this draft legislation and proposed amendments as regularly as possible. Our practice until now has been to do it only after the previous income tax technical amendments package has been implemented. The issue in this case is that the last income tax technical amendments package was published by the department or issued by the Minister of Finance in late 2002. It was issued in revised form in 2004 and again in 2005, and then introduced by this government in 2006 and reintroduced in 2007, but it wasn't passed. So that technical amendments package has not yet passed.



What I believe the Auditor General has identified as a concern is that, because of the languishing of the bill, the rest of the technical amendments packages or technical amendments that we have outstanding have not been processed. I think, and we have acknowledged, that this calls for some review of our practice of only issuing another package after the prior one has been implemented. For that reason, we're proposing to issue others before this one goes forward.

**Mr. David Christopherson:** Thank you. I hear you, and I feel the blame being moved around here. I was somewhat jarred to hear you state that we're all here pretty much for nothing, because it's not broken.

I'd like to hear from the Auditor General as to whether or not they agree that nothing's broken. Are we sitting here wasting our time?

**Mr. John Rossetti:** I don't think so, Mr. Chairman. Our objective with this chapter was to move the process forward and bring some attention to this issue. The fact that you're having this hearing and bringing this issue forward is exactly what we were hoping would happen.

**Mr. David Christopherson:** Does anybody want to defend "not broken"?

I think you're on your own, sir, with that one.

Does it mean that the problem is, then, that because things didn't move, politically everything else backed up? You talked about bills being introduced and you said that then there was prorogation and they stopped. Does that mean, I'm asking, that the political process interfered, if you will, in what would normally happen, because your next steps are tied to that political process? And is that a problem?

Then I'm going to throw something out here, because I'm running out of time soon. When you run into a situation where your rules are not being followed, one of two things happens: you either have to get things in compliance with the rules as quickly as you can or change the rules to reflect the reality of the way things are. But you can't leave things out of sync.

There are two questions; that was the first one.

The second one would be, should the guidelines change? Should we say: don't try to do this every year, but do it in every other... period of time—some other identifiable timeframe—so that it's not broken? Or do we need to stay with the one year and get everything that's not working to comply with that one year?

Those are the two questions, for anyone.

Please.

**Ms. Louise Levonian:** Let me try to answer that in support of my colleague.

I'd like to draw your attention to the Auditor General's report on page 10. There's a chronology of events that took place with respect to what we call the old Bill C-10, which was Bill C-33. It just goes through the steps of what the department did, what was tabled in Parliament. I think it gives a good history of what has happened, and I'll let you draw your own conclusions with respect to it.

What I think the Auditor General has identified for us is that perhaps the way we were working wasn't working well, in the sense that we were waiting for old bills to be passed before we released further bills for comments. I think this has shed light on that process. We're in the process of amending it and saying that we're going to release bills in a draft form more often. We're going to try to put forward smaller bills to see whether that will help in moving the process forward.

**Mr. David Christopherson:** Thank you.

Mr. Rossetti, what are your thoughts on that?

**Mr. John Rossetti:** The one thing that concerns us is that comfort letters are a good stop-gap measure, and we've identified them as something that users find helpful, but the issue is that if we continue for long periods of time using administrative means to administer tax legislation that really can only be changed by Parliament, it's a concern to us. We'd like to see this thing brought up to date and the use of comfort letters restricted to their original intent, which was to deal with situations that come up over the short term, and get the legislation updated rather quickly.

• (0945)

**Mr. David Christopherson:** Thank you. Can I ask you one question before we go to that "one year"? Somebody is getting ready to answer that, I'm sure.

**The Chair:** David, this is your last.

**Mr. David Christopherson:** Okay. What I want to ask is how much, in your opinion, we can set aside responsibility of all the other departments, given their suggestion that the political process didn't work as efficiently and that they can't do anything until the political process is done on the previous bill. Is that a legitimate excuse on their part, and do we therefore need to look elsewhere for the problems? Or do they have some responsibility here, and it's not all just the political process?

**Mr. John Rossetti:** Mr. Chairman, that wasn't part of our audit, and I don't feel comfortable answering that question.

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

Mr. Kramp, you have seven minutes.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you, Chair, and thank you to our guests for coming in today.

I want to narrow-cast this a bit more. We have a problem. If the customer or clientele or the Canadian public are faced with uncertainty, which they obviously are when we don't have clarity in rules or translation of such, they can not be efficient, we can not be efficient, and the nation can not be efficient. If you're not efficient, you're not competitive. You're not competitive to blow on the economy.

I really need an answer here. We have three areas of responsibility. We have the political arm. This has been outstanding since 2001, and various political parties' governments have been responsible somehow, some way, proportionately—I don't know—right through to the current status. On the other hand, you have the departmental and the finance responsibility. Then on the other hand you have the administrative end, or CRA.

Whose fault is it that we are sitting with legislation that is not passed, that is not helping the Canadian public and/or the business community adapt to the realities and have these implementations completed?

It is not acceptable that we went from 2001 to the current day and all we're getting is that “we're going to get around to it” and “we've made some dramatic improvements over this last couple of years”. Well, good; I'm pleased to see that. But we still don't have a process whereby this is passing the legal and/or the political hurdle.

So where do we affix the blame? Is this the politicians' fault? Is it the departments' fault? Is it CRA's fault? Or is it all of the above? I need a direct answer from all of you.

Mr. Rossetti, please.

**Mr. John Rossetti:** Mr. Chairman, our audit wasn't designed to attach blame. Our audit was designed to try to move the process forward. From the responses of the responsible heads of the organizations involved here, we're optimistic that things will change over the near term. As I mentioned earlier, we're happy that you've organized this session to review the important messages in our chapter; we're happy that our colleagues in the departments are taking our recommendations seriously. They've put forward some plans that I think would help alleviate the situation. So the trick is now to implement those plans.

**Mr. Daryl Kramp:** Thank you very kindly.

The finance department, please.

**Mr. Michael Horgan:** I think the responsibility of the Department of Finance obviously is to put the government in the position to table technical bills that are required, and we have worked and are working in terms of doing that. I can't go beyond that in terms of laying blame on the political level or Parliament. We've had these bills in Parliament and have been prorogued. I'm not laying blame on anybody. Those are just the facts of life.

Our job as the Department of Finance, as public servants, is to put the government in a position to table the tax legislation that we think is important. We recognize that there's a problem here and our job is to make recommendations to the government—

**Mr. Daryl Kramp:** Thank you.

The CRA?

**Ms. Linda Lizotte-MacPherson:** Thank you, Mr. Chair.

The CRA is responsible for administration of the legislation and interpretation of the law. I think this audit has identified some areas where we can continue to improve. We have already started to implement our action plan.

● (0950)

**Mr. Daryl Kramp:** The reason I ask this question is that I noticed in the one statement from Mr. Horgan—and I thank you—in here. This just gives me an example of where we seem to be in gridlock again. You mention here:

...the Department did indicate...whether there are circumstances where it would be appropriate to bring forward subsequent draft technical amendments when the previous...bill is still pending before Parliament. The concern...is the need to protect against confusion and complexity....

In other words, if we can't potentially bring in new bills when we haven't dealt with the old bill because we're going to create a problem, are we sitting in that never-ever? We can't bring in a bill because we're going to impede what is already in there. We're into the chicken-or-the-egg theory on this. Somehow we have to break this impasse and move forward.

What are your thoughts there?

**Mr. Michael Horgan:** Well, I think that's one of the reasons why we're actually considering not doing that anymore—or at least releasing some of these things while other things are in Parliament. There's a risk, though, of the confusion of amending the same possible amendments to the same pieces of the Income Tax Act, so that was the reason why we did not do that as a matter of practice in the past. But we are taking a look at that and we may go forward with that, just for the sake of speeding the process along, and take the risk that we can work our way through the possible confusions that would be associated with that.

**Mr. Daryl Kramp:** Thank you.

Well, obviously, there's a lot of tremendous knowledge within the department and the agencies here. There's a lot of historical knowledge, but there's also a fair bit of acumen in your customer, your clientele, the market out there, and the practitioners in the industry. What type of consultation do you have with them so that you have an ongoing dialogue to see if your actions and their suggestions are somehow compatible?

The CRA?

**Mr. Brian McCauley (Assistant Commissioner, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency):** Thank you for the question.

We have and certainly respect and value very much professionals and practitioners, who are really part of the tax system, and probably even a larger part of the tax system than we are. We have a quite intense and regular interaction with a number of associations and groups.

That's why, I think, almost every one of our recommendations included a round of consultations and discussions with them. We see them very much on the administration side as almost partners, really, in the delivery of the system. It's a lot of their knowledge and their expertise that allow us to administer the tax system the way we do.

We would certainly see from both the standards and the bulletins and even in terms of how we administer proposed legislation that there's a regular and ongoing.... I chair sessions with the Bar Association, the Tax Executives Institute, the CGA, and all of these groups on a regular basis. We would intend to continue to do that.

**Mr. Daryl Kramp:** Thank you. That's reassuring.

Perhaps I'll ask a question to our representative from the Auditor General's office.

You put forward a number of recommendations regarding the CRA. I'm wondering if you could you expand a bit on a couple of your key ones. I'd also like to know if you're satisfied with the response you have had from the CRA to date.

**Mr. John Rossetti:** I'm not sure what you meant by expanding on the recommendations. Maybe I'll just answer the second part.

I would say that the responses as printed in the chapter were good, but possibly not as positive as I was hoping. However, in reading the opening remarks from the commissioner and in looking at their action plan, I think they've really addressed the key aspects of our recommendations, and I'm optimistic that they will be implemented as we had actually recommended.

**Mr. Daryl Kramp:** Thank you.

**The Chair:** One point arising from that is this whole issue of cost, and I'd like some comment on it.

Tax law in Canada, as we all know, is very complicated, and thousands of individuals out there make their livings as tax lawyers and tax accountants. They're very knowledgeable and very smart. Of course, they're paid to help Canadians, Canadian companies, and foreign companies arrange their affairs so that they attract the least amount of tax, which is the principle of Canadian tax law within certain conditions.

I practised law for 25 years. I wasn't involved in these transactions, but I've seen them, and some of these people are, from my experience, very aggressive. If there's any uncertainty or lack of clarity in the law or the regulations, they will certainly take advantage of it. A lot of them won't be caught; there won't be an audit, or there'll be some kind of settlement, and there's always that give and take. The more uncertainty and the more lack of clarity there is, the greater the business for these individuals.

It's my suspicion that because we're not introducing technical amendments and because we have this state of uncertainty—I know the comfort letters are good, but that's not the law—it would be costing Canadian taxpayers millions and millions, if not billions and billions, of dollars in lost tax revenue. Does anyone have any comment on that?

I know that nobody has an exact figure, but I've seen these transactions, and they involve foreign companies and foreign trusts and companies domiciled in the Cayman Islands. It's a very complicated area, and if they can use uncertainty to argue their case, the big loser at the end of the day is the taxpayer. Do you have any comment as to the cost incurred by taxpayers?

● (0955)

**Mr. Brian Ernewein:** The direct answer is no. I don't think we have a cost, but I think I can offer some observations to help inform the discussion.

First of all, in relation to the technical bill itself, technical bills generally are generally made up of comfort letters that are relieving changes by definition. Taxpayers identify an issue in the legislation that restricts their ability to do a transaction in one way versus another. There is a commercial reason for doing it in the way they wish, which the tax law impedes; in looking at that, we determine that there's not a difference between the two and recommend a relieving change in that area. There's not a revenue cost associated with that, or an abuse associated with it.

Having said that, we have used—and Bill C-10 is an example of this—technical amendment packages to include press releases that have been put out to try to deal with certain concerns or revenue issues. Bill C-10 itself includes provisions dealing with charitable contributions, donation schemes that were encountered a few years ago. There are also provisions dealing with restrictive covenants, an issue discussed in the Auditor General's report. While we believe that the announcement of those changes has been effective in constraining those transactions, it's obviously important that the legislation ultimately be enacted in order to give effect to those changes.

I can't point to a revenue cost associated with non-enactment; nonetheless, your essential point remains valid. Enactment, of course, is required, and it would be desirable for it to be done as efficiently as possible.

**The Chair:** Are there any other comments?

We will go to round two. Go ahead, Monsieur Dion, for seven minutes.

[*Translation*]

**Hon. Stéphane Dion:** Thank you very much, Mr. Chairman.

As Mr. Kramp stated, we are talking about the ability for the taxpayer, be it an individual or a corporation, to have access to all of the information allowing him or her to prepare his or her tax return and thus to comply with the law. However, according to your report, this many not always be the case.

Mr. Rossetti, you state in your report that at least 400 technical amendments “sont restés en suspens”. In English, it is more precise.

[*English*]

You said, in English, that they have “not yet been enacted”.

[*Translation*]

I would firstly like to understand the seriousness of the problem. We are talking here of 400 amendments. Is that very serious? What does that represent?

[*English*]

**Mr. John Rossetti:** Mr. Chairman, I'm going to ask Ms. Plant to respond to that.

[Translation]

**Ms. Vicki Plant (Principal, Office of the Auditor General of Canada):** We made 400 amendments. Some of them are minor, but others are rather important and could require changes to several sections of the Income Tax Act. It is therefore a combination of small changes and changes the consequences of which are quite major for taxpayers.

**Hon. Stéphane Dion:** It is therefore a serious problem.

**Ms. Vicki Plant:** It is, indeed.

**Hon. Stéphane Dion:** Furthermore, you also state that the government deemed it advisable that a bill be passed every year, updating the changes in order that the information be well understood by the public, but you make no such recommendation.

Is it because you consider that this falls outside your mandate?

● (1000)

**Ms. Vicki Plant:** Indeed, the government made such a promise. As you say, our mandate is not to make recommendations to the government. We rather make them to the Agency or to the Department, but not to the government, in general.

**Hon. Stéphane Dion:** You are however able to suggest to the deputy minister that he or she recommend to the minister that there be a bill every year.

**Ms. Vicki Plant:** Indeed, we could tell them that it would be a good idea to recommend that a bill be presented.

**Hon. Stéphane Dion:** I would therefore suggest that the committee look into this.

Based on what you are telling us, the Agency and the Department have accepted your recommendations. These recommendations and the action plan will provide us with the necessary electronic tools, the required follow-up and a systematic examination of the consequences of the technical amendments. If we have all of this but no yearly bill, will much of our problem be nevertheless resolved or not?

**Ms. Vicki Plant:** These steps will bring about good results, but as long as the amendments have not been enacted, the problem will not be resolved.

**Hon. Stéphane Dion:** Do you mean to say that things will remain the same as long as no bill is passed?

**Ms. Vicki Plant:** Exactly.

**Hon. Stéphane Dion:** Work will thus have been done internally, but it will not necessarily be available to the public.

**Ms. Vicki Plant:** If the bill is not passed, there will be no results.

**Hon. Stéphane Dion:** They will have done their work but, in the end, the objective of serving the public will not have been reached.

**Ms. Vicki Plant:** Indeed.

**Hon. Stéphane Dion:** Thank you very much for that clarification.

I would now like to address the Department and the Agency. A few colleagues and myself have been wondering why it is that we find ourselves in this situation. Our impression is that you got busy when the Auditor General kicked you in the right place. You then set about to put in place a computer system, you provided the follow-up, etc. We are wondering why you did not do this earlier.

The paragraph that surprised me the most in this report is paragraph 3.33. It reads as follows: "Department officials have also told us that undertaking the work to develop and draft technical amendments to remedy identified technical legislative deficiencies is not the Tax Legislation Division's only priority." We know full well that the Department of Finance has other priorities. If the Department of Finance's only priority was to ensure that taxpayers know how to fill out their tax returns, that would take the cake! This remains a priority and we are wondering why you felt obligated to tell the Auditor General that you have other priorities. I am guessing that there is within the Department and the Agency a culture such that being as accommodating as possible vis-à-vis the public is not a priority and that had the Auditor General said nothing, you would have done nothing and things would have kept piling up. If we are looking at where to lay blame, I would say that there is an obvious cultural problem, that goes way beyond numbers, that lies just beneath the surface throughout this report.

I would like to know what you are going to do in order to never again be telling the Auditor General that you have other priorities. The point here is to serve the Canadian public with all of the required clarity, and the idea of being in agreement with tax law is a most fundamental issue.

[English]

**Mr. Brian Ernewein:** Mr. Chairman, first of all, it is the Department of Finance the reference in paragraph 3.33 refers to. Second, it did not say that it was not a priority. It said that addressing those technical legislative deficiencies was not the department's only priority.

**Hon. Stéphane Dion:** We know that. Why did you find it necessary to say so? It is as if you were pushing the agency back too much. And now you are acting, because they are asking you to do so, when it should have been addressed a long time ago, since it has been so easy to do, it seems. It is a couple of months, and you are able to say that yes, we'll do it, and we now have the system and so on. Why was it not done before? That is what I cannot understand.

In this paragraph, I see that you told the Auditor General that you had other priorities.

**Mr. Brian Ernewein:** Well, in fact the budget and other things are among our priorities.

**Hon. Stéphane Dion:** I know that. Who doesn't know it? My point is that I don't understand why you felt the obligation to say so.

**Ms. Louise Levonian:** Let me try to answer that.

During these interviews that take place between the Auditor General and ourselves, we talk about many things. What the auditor decided to put in the report is, at the end of the day, the auditor's call. I think sometimes these things are taken out of context, and it's really important to understand that we just look at all of the things. We have many priorities and we work on all of them diligently.

But I'd like to answer the first part of your question, and I really do think that drawing your attention to page 10 of the Auditor General's report, exhibit 3.2, brings us to your question as to how we got to where we were.

I think that describes how we got where we are today. What we, the Department of Finance, are trying to do in that context is to find ways to work in the current environment and to take into consideration, without causing too much complexity to taxpayers out there, whether we could put forward draft bills for comment that don't amend the same sections of the act, that won't cause confusion. If we put smaller bills out, would that make it easier for those bills to move forward? Those are the things we're considering in the current environment, but how we got where we got is clearly shown by exhibit 3.2 on page 10.

• (1005)

**The Chair:** Merci.

Mr. Kramp, you have five minutes.

**Mr. Daryl Kramp:** Thank you.

I realize I'm being overly simplistic in my question here, but everybody files their income tax returns once a year. As such, they utilize our system and everything it has to offer. Would it be too much to ask for us to try once a year to put forward whatever amendments are necessary in bill form or in departmental form so that we can keep more current? Instead of trying to do 8, 10, 12, or 15 years at once and trying to fit everything into an omnibus bill where everybody has difficulties and it somehow, some way, gets caught up in the paralysis of Parliament, or departmental implementation, or technical capacity to do everything all at once, why can we not start to deal on a consistent basis with current changes?

Ms. Levonian.

**Ms. Louise Levonian:** I think that's part of what the Auditor General recommended we do. We accepted those recommendations and we are putting the systems in place to be able to address that, but I think there is only so much the department can do in proposing legislation to be moved forward.

**Mr. Daryl Kramp:** With the advancement of technology, there has been a real focus on people, a personnel focus. There's a lot of hands-on because it's required to make some pretty important decisions that automation and the advancement of intellectual technology don't necessarily address, because there are a lot of personal issues. But there has been a real move to adopt and embrace the technology, and I noticed that there has been some movement aggressively by CRA to adopt some of the new technology.

I can recall, three or four years ago, sitting in the government operations committee and the Auditor General recommending very strongly that we just had to move aggressively to adapt and adopt the new technology that would obviously increase our effectiveness and efficiency.

Can the CRA give me, and us on this committee, a bit of an update as to how you've been able to move, I would hope, aggressively and where you see yourselves as a department going in technical capacity improvements?

**Ms. Linda Lizotte-MacPherson:** CRA, as you know, is very heavily dependent on technology. Over the last number of years we've implemented a number of tools for businesses and citizens. For example, they can file their taxes electronically. We continue to see an increasing number of returns filed electronically each year.

This year, we've also introduced mechanisms through which corporations and individuals can make payments.

An integral part of our services strategy is to continue to improve the services, both the applications themselves and the information that is made available for taxpayers' information, for example, on any changes. We continue to update our websites as well, and those are refreshed. For example, as soon as the budget was issued, our website was updated. So it's very much an integral part of our services strategy.

We continue to get feedback. We have online surveys. We're also using some of the newer mechanisms, the social media. We use tools like webcasts and what we call "webinars" whereby we can have 1,000 people across the country participating online and having interactions with our tax practitioners. So we continue to expand the electronic services we offer, and we generally get extremely good feedback from our clients on them.

In the case of the technical amendments in question here, we have also recently updated that electronic database so the legislative policy directorate will have an enhanced tool to ensure we're able to prioritize, do some reporting and provide some reports to our colleagues at finance, which will help with the implementation of the recommendations that the Auditor General made.

• (1010)

**The Chair:** Thank you very much, Mr. Kramp.

Madame Faille, *vous avez cinq minutes*.

[Translation]

**Ms. Meili Faille:** Thank you.

A little earlier, I asked some questions regarding the inventory that the Agency has established. What is the system you have put in place called? I am talking about the database that you have set up, as well as the measures.

[English]

**Mr. Brian McCauley:** It's the technical issues database.

[Translation]

**Ms. Meili Faille:** Is that really its name?

**Mr. Brian McCauley:** Yes, it is very simple.

**Ms. Meili Faille:** If I understand correctly, there are technical measures, as well as anticipated revenue that could be generated thanks to this technical tool. Is that the case?

In your report, you indicate, in the system, the target revenue amount. You therefore have the technical tool as well as the amount you hope to receive if this tool is put in place.

[English]

**Mr. Brian McCauley:** If we did, then that was incorrect. There's a database that was intended to capture and help us manage the identification, analysis, and eventual, if you wish, filtering out of technical suggestions that eventually find their way over to the finance department, where they're picked up with a similar system. That's distinct from the advance income tax rulings process. So I don't know if those two may have been blurred.

Where there is a technical issue, we have seven or eight criteria we go through within the agency when we're assessing whether or not a recommendation for a technical change would be sent over to finance. If we have information about the possible materiality of that change, keeping in mind what Brian said about most of the time there not being a significant material change, we provide that information to finance as part of our suggestion, for example, for a technical change. But that then, of course, has to go through a lot of vetting and challenge at finance as well.

[Translation]

**Ms. Meili Faille:** I am asking this question for a very specific reason.

A little earlier on, I alluded to a desirable measure. It represented close to 90 billion dollars that the government is not getting. This measure was established with the last budget. According to what we have heard, this measure is a major deterrent. That being the case, virtually no one at present has an interest in using this technical tool.

Is one of the reasons why it takes so much time for a bill to be presented to Parliament the fact that there is a desire to favour some of these interests? If the people who benefited in the order of 90 billion dollars no longer use these measures, taxpayers and the government are getting virtually no income from this measure.

[English]

**Mr. Brian Ernewein:** Forgive me, Mr. Chairman. Is this a question relating to the non-resident trust proposals again?

[Translation]

**Ms. Meili Faille:** Yes.

[English]

**Mr. Brian Ernewein:** Oh, yes. I'm sorry. The point that presumably was made by witnesses from the Department of Finance at prior committee hearings about the non-resident trust and foreign investment entity rules would indeed have been that they perform a deterrent effect. We still think they will have that effect.

They were proposed going back to the 1999 budget with a series of releases of draft legislation. Those rules have always been proposed to take effect, as they were currently proposed to take effect, as of 2007 and forward. The 2007 date remains in this year's budget. We believe the deterrent effect remains in place and has not changed. It will again require Parliament's consideration and approbation, but it's still very much in play.

• (1015)

[Translation]

**Ms. Meili Faille:** However, even if the legislation were in place today, it would not be retroactive. In other words, we would not be

able to turn the clock back 10 years and demand taxes from those who used these measures.

[English]

**Mr. Brian Ernewein:** No, it is indeed expressed to have effect as of 2007 and forward. If it's enacted in that form, it would take effect from that time.

[Translation]

**Ms. Meili Faille:** Very well. However, Bill C-33 dated back to 1996. As of the day it was announced for the first time, people stopped using that mechanism. What we are talking about is an example, but is it possible that there are situations at present such that an amount of the same order of magnitude is eluding us?

I asked the following question earlier, but I will ask it again, this time to the Agency.

Among the various technical tools contained in your list of priorities, which one would at this time be generating the most income?

[English]

**Mr. Brian McCauley:** My understanding is that the list of technical suggestions, as Brian said, tends to be technical in nature and not on policy and not of huge significant materiality. Off the top of my head, and I'd have to go back and verify, I don't see any large amounts in any technical suggestions we would have provided to the finance department.

As an aside, we're not the best equipped to make any estimates on the impacts. That expertise rests with the finance department and not necessarily with us. We tend to not provide estimates. We leave that to the finance department.

**Ms. Louise Levonian:** I think what you're trying to get at is there are situations that occur on a regular basis where people try to avoid paying tax. In those circumstances, the Department of Finance or the Canada Revenue Agency become aware of that, not through the technical process, but through other processes we have to identify the things that will result in revenue loss for the government.

When we find those things, we normally take action as quickly as possible. A number of examples are on the tax-free savings account. Some people figured out ways to put more money into tax-free savings accounts than should have been put in there. As soon as we identified the issue, we put out a press release saying that we had identified the issues and were going to propose legislation to Parliament to prevent these things from taking place. We normally have effected those things on the day of the announcement, on the day of the press release. We then hope Parliament will agree to pass the legislation effective on that date.

Sometimes things are so egregious that it becomes retroactive. We sometimes say it's so bad that we have to stop it retroactively. We're trying to maintain a balance. When taxpayers don't have the information to know what the law would have been two years ago, how can they comply with those laws? We try to balance fairness to the taxpayer and protection of the revenue base. In some cases, it's effective on the date of the announcement. When it's really egregious, we sometimes go back in time as well.

**The Chair:** Thank you, Madam Faillie.

Mr. Kramp, for five minutes.

**Mr. Daryl Kramp:** Thank you, Chair.

I have a couple of questions.

For CRA, in response to recommendation 3.60, we were discussing the need to issue advance rulings, given the increased complexity of the cases. If you're having difficulty in meeting the service standards for advance rulings, you want to then evaluate the standards more. Why wouldn't you instead evaluate why you're not able to meet the standards, first of all, rather than improving the standards?

• (1020)

**Ms. Linda Lizotte-MacPherson:** Perhaps we should have been clearer. That is in fact part of the assessment that we'll be doing to really understand the cause and effect, if you will. What we've been seeing over the last number of years is that as a result of globalization, an increase in cross-border transactions, and financial restructuring, for example, we're receiving an increasingly large number of complex, high-dollar transactions that are really one of... Those are the ones we want to take a closer look at to understand what's going on. In many cases we have to consult the Department of Finance and the Department of Justice in those cases.

We will be doing some consultations over the coming months to fully understand the situation and look at whether there are ways for us to improve the efficiencies of the process, but as well to really understand what the business needs are. We often find that as we're well into the process perhaps the organization will come forward with new information, or they may even decide to change the nature of their transaction. That's what we started some consultations on.

Perhaps I could get Mr. McCauley to add a little bit more on the plan.

**Mr. Brian McCauley:** Very briefly, we do plan on doing exactly as you did mention. We're going to look at how well are we managing the files and whether or not we can do a better job at that. At the same time, as you suggested in an earlier question, we are going to talk with practitioners and with individuals who are... We're talking about 200 to 225 requests a year here. It's a very low-volume, high-intensity kind of a process. So we're going to talk a little bit with them about their expectations and whether or not we need to go, for example, to a couple of standards, one where we've got maybe more straightforward rulings, one where they're more complex. That's the exact kind of discussion we plan on having so we have a standard that actually not only meets the needs of business but protects the integrity of the tax system. That's part of the discussion we'd like to have and in fact are having over the next couple of months.

**Mr. Daryl Kramp:** Thank you.

I'm going to go back to the first question I asked today, but I'm going to try to approach it from a different manner. I'm not about to affix blame per se on either a department or an agency. I'm really concerned, though, that since back in 2000-01 and perhaps before we have not been able to be successful in adopting technical changes to bills. That's eight, nine, ten, twelve years. I say rather than affix blame, then, maybe I could ask the Auditor General what have been some of the impediments we have faced either as a department or in the parliamentary process that have not allowed us to proceed effectively with the implementation.

**Mr. John Rossetti:** We didn't look at the parliamentary process per se because that's not something we have a mandate to audit. All I can say is that we tried to look at all of the processes that originate in the public service and that would lead to a document that's presented to you for your oversight and analysis.

What we've tried to do is make sure that all the processes leading up to the production of a technical bill are sound. If they are sound, you would have additional confidence that the bill being presented to you has gone through an appropriate due process. That's what we tried to do with this audit. We tried to look all of the processes leading up to the production of a proposed piece of legislation.

**Mr. Daryl Kramp:** Thank you.

Someone told me once that there are more words in our tax legislation than there are words in the Bible. I think that tells me we have quite a complex myriad of rules and regulations that we all need to follow.

Going then to the Department of Finance, I'd like to know if you have any current plans to bring forth technical amendments. Do you plan on bundling them, or are you planning on bringing one, two, three, four, or five forward at a time or groups of ten or twenty? Are we waiting for a huge package to try push this through again? Can you give us an idea of what your plans are at this particular time so we as parliamentarians could be vigilant?

**Mr. Brian Ernewein:** It will of course be up to the Minister of Finance and the government as to what legislation they intend to release. What we are working to do is to prepare for the government's consideration smaller packages of technical amendments that can go forward and have us get caught up. The first one should be ready for the government's review within the next couple of months.

• (1025)

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

Mr. Christopherson, you have five minutes.

**Mr. David Christopherson:** Thank you, Chair.

Just to follow up on Mr. Kramp's question, how long, then, would it take to be fully caught up under the proposed process?

**Mr. Brian Ernewein:** I don't know the answer precisely, but we would hope, as a department, to be caught up this year or next.

**Mr. David Christopherson:** You will be fully caught up. At the same time, you'll be beginning the new processes so that this doesn't happen again. So is it kind of dual-track?

**Mr. Brian Ernewein:** Yes. To be clear, the new processes for improving the filing will, we believe, be an improvement. But it's not that the current system, at least in terms of our collating information, failed to achieve its desired purpose. Right now we have, in the old technical bill, about 100 comfort letters, plus or minus, in what was Bill C-10. We have another 100 or so comfort letters, which represent 200 or 300 pages of material, in a binder, sitting back in the office. Actually, there are several copies. They are kept track of. We can move to an electronic recording of them, but the information is there. The other information, the other 200, let's say, technical amendments, are those, as I said before, that have been identified by officials within the department. They need to be vetted, and they need to go through the approval process. But that information is there.

We can improve that. We can improve searchability and accessibility through the use of an electronic database. But as someone centrally involved with this, I would say that in terms of amassing the information, I think we largely have that now.

**Mr. David Christopherson:** Thank you.

Mr. Horgan, you touched on something earlier, and that's where I was going. Part of the problem seems to be this policy of not starting a new review until the last legislation is done. When the legislation piles up, the review doesn't get going. One way to break that logjam is to say that you won't necessarily wait. I just want to affirm that you're looking at that. I leave it with you. I assume that if that doesn't work, you'll find some other way. You won't just throw your arms in the air and have us back here in five years to hear that you tried, but it didn't work, sorry.

**Mr. Michael Horgan:** No, I have to agree with you. No one likes this situation of having these measures outstanding for 10 or 12 years. It's important for taxpayer certainty to have these issues resolved. We're looking at some of the suggestions that came from the Auditor General's office. There were practices, as I say, such as waiting until one technical bill was passed before introducing further things. I think there are different ways of approaching this thing that we're going to have to take a look at.

This is important. It is important for taxpayers, and it's important for those of us who are concerned about the taxpayer, writ large, and the tax system. So we have to find ways to deal with this problem.

**Mr. David Christopherson:** Yes, thanks.

Mr. Rossetti, it's my sense that with respect to what we've heard brought forward as problematic, the resolutions being offered, if they work the way we're hearing, should get us into a good place. Is that your sense? Is there anything outstanding that has not been resolved that you think we should be putting a finer point on? Or do you think we've gotten to most of the issues and that the responses we've gotten are adequate?

**Mr. John Rossetti:** I think the responses are good, Mr. Chairman. But as I said in my opening remarks, there are always two pieces to this. The first is to develop a plan, and the second is to implement it. As auditors, we tend to like to wait for the second part to see the implementation.

**Mr. David Christopherson:** Yes, understood. I assume, as with most things, that you have some method of going back and some

notion of when you're going back to check to see whether these things are being done.

**Mr. John Rossetti:** Yes, that's correct.

**Mr. David Christopherson:** Very good.

I have one last question. It was mentioned that when you do a news release, sometimes you'll say right in it that the effective date is the date of the news release. You commented on that. And you're going to say that you hope Parliament follows through and agrees to legislate this.

Do I assume, then, that before that news release goes out, the minister has signed off on that change? Is that where you get your political momentum, if you will, to say that you think it will be okay? Otherwise, you would be, I'm assuming, all over the place. The minister would be signing off and you would know that the minister's planning to make some kind of cabinet submission that would reflect the changes that are in there. Or is your word to be taken at face value, and you really don't know what the political outcome is going to be at all? That would shock me.

● (1030)

**Ms. Louise Levonian:** No, the department recommends to the Minister of Finance. The Minister of Finance is the one who would put out the press release.

**Mr. David Christopherson:** I see. It's the actual minister who does it.

Okay, thanks, Chair; and thank you all.

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

Mr. Young, you have five minutes.

**Mr. Terence Young (Oakville, CPC):** Thank you.

My question is certainly for the Department of Finance, but I'll let you decide who answers.

I'm looking at the Auditor General's first recommendation. You got the report on November 2, 2009. So in four months you developed an action plan. Then we go to the response to that first recommendation, and it says, "The Department has prepared a consolidated inventory of...outstanding technical changes".

That was March, and you had a list of technical changes. Then it says you were updating the existing electronic database. So you put them into a database; somebody typed them in. So that was four months. Then we go to the second action you've taken in response, and you've commenced a project to acquire a new electronic database.

I have to tell you, most departments that come in here and haven't done things, that have left things undone, always start talking about trying to purchase software. They say, "We're going to get the best software program." Software programs are the biggest excuse for not having things done. Sometimes they come to us and it takes them two years to buy a software program. I assume there must be a hundred or more software programs in the various ministries, owned by the Government of Canada, so why don't you just either take one off the shelf or take one we've already paid for and developed and adapt it? Why would it take so long?



So, first of all, did you consult with other ministries in trying to find a software program to meet your needs?

And then your commitment is that, a year later, you will have people trained and working, using this on a day-to-day basis. How many people do you have to train, and how can it take a year to train people to use it?

You have the list and you're going to put it on a database. You could probably buy Excel and use it for the list. It might not be as fancy as you'd like, but you could probably do it if you had to get it done. Why does it take a year to get everybody trained and up to speed so that it's going to take until March 2011 to get this done?

**Ms. Louise Levonian:** I can answer that.

The first thing we've done is consolidate all our lists. Something Brian, my colleague here, just said is that all the information to move forward with this legislation is there and has been there all along. The auditors themselves noted that what we've had in place is a people-oriented process, as opposed to a database-oriented process. So I would look at this as a two-track process, as opposed to one where we need the database before we can move forward with legislation. We now have the complete inventory consolidated and all in one place, and it's actually electronically done as well, but it's not the easiest system to use, and so on. So we have that process and we're also working on putting forward, potentially, the old Bill C-10 and smaller bills. That track is moving and we're making progress in that respect.

**Mr. Terence Young:** Okay, I'm just trying to understand. Is Parliament holding you up? Is there something Parliament has to do before you can get this in order, or is it just administrative?

**Ms. Louise Levonian:** I don't feel qualified to answer whether Parliament—

**Mr. Terence Young:** Were you waiting for Parliament to pass a technical bill or something, or do you have what you need in order to do what the Auditor General recommended?

**Ms. Louise Levonian:** In terms of specifically what the Auditor General recommended in having a database and ensuring that we have systems that track the technical amendments, we can do that on our own. But I think what the Auditor General is also alluding to—and I won't speak for the Auditor General but let that office speak for themselves—is that having technical amendments that have not passed and having many technical amendments that are vintage is not good for the tax system, and passing this legislation is also important. So the department can do what it can do, which is to make sure that we have good processes in place, make sure that all the information is consolidated, make sure that we are bringing forward legislation, but the next step is when the legislation is brought forward, our duties stop at that point.

**Mr. Terence Young:** Thank you.

Mr. Saxton....

**Mr. Andrew Saxton (North Vancouver, CPC):** I have a quick question on comfort letters. I understand the department issues about 30 comfort letters a year, which means that at any one time we have probably hundreds of comfort letters there. The Auditor General is not satisfied with the way the inventory is being kept. Maybe it's

similar to the technical amendments inventory. Perhaps you could explain how you intend to improve the inventory of comfort letters.

**Ms. Louise Levonian:** It's the same inventory. Right now, we have all the information consolidated into one database. They're all technical changes. In essence, they're from things that are brought to us by taxpayers and we write comfort letters. They're brought to us by the CRA or they're brought by us noticing that there are technical issues that need to be put in place.

At the end of the day, they're changes to the legislation, so they all go into the same database. We may categorize them as comfort letters and technical amendments, but they're all in the same place.

• (1035)

**Mr. Andrew Saxton:** Thank you.

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

Monsieur Dion.

[*Translation*]

**Hon. Stéphane Dion:** Thank you, Mr. Chairman.

[*English*]

Just to make things crystal clear, is the fact that 400 technical amendments are not enacted today only a problem with regard to communication to the taxpayers, or do we also need to take into account legal consequences for them—for taxpayers—or for you vis-à-vis lack of revenues?

**Mr. Brian Ernewein:** Thank you.

If I might, I would break the types of amendments or issues into two parts. Our comfort letters are our undertakings to recommend to our minister technical changes to the income tax legislation. Those letters are directed at specific taxpayers. They are almost always transaction-specific, so the concern or the issue will be limited to them. They will file perhaps on the basis of that comfort letter. CRA will judge whether or not it believes a waiver needs to be filed to keep the taxation year open if the undertaking to recommend an amendment has not yet been implemented. So that question can be relevant in the context of old Bill C-10, for which there are comfort letters going back some time. Taxpayers will have received these comfort letters. With Revenue Canada they will have to work through how to keep the year open if necessary to deal with the comfort letter itself.

The rest of the technical amendments, in some sense, don't exist as a matter of public awareness. They are issues, as Louise Levonian said, that we identify, that revenue identifies, that the taxpayer may identify. We have not communicated with anybody an intention to make a change, but we have put it on a list as something to consider. It may be the view that one of the officers or one of the chiefs in the legislation division believes that a change has been made. That will be debated when it comes time to assemble the next technical bill. So with regard to uncertainty or open years or anything like that, I don't believe that really applies in the context of that group of cases, because they're possible changes that we have yet to decide whether to proceed with.

**Hon. Stéphane Dion:** In the context where you would disagree with the taxpayer who is arguing with you, what is the legal status of these amendments if they have not been enacted?

**Mr. Brian Ernewein:** Again, as far as the comfort letters are concerned, we would work with Canada Revenue Agency to seek to encourage them to consider that comfort letter in their debate or argument with the taxpayer, and our belief would be that Canada Revenue Agency would take the comfort letter into account, so it ought not to be an issue or a subject of a debate. If it's something else, which is an idea that's sort of internally generated but not in the public domain, then Revenue Canada would apply the law as enacted without reference to any possible technical change we have in our internal inventory.

**Hon. Stéphane Dion:** Would they take that into account as if it were the law?

**Mr. Brian Ernewein:** They wouldn't in the second case—

**Hon. Stéphane Dion:** I mean in the first case.

**Mr. Brian Ernewein:** In the first case, no, not necessarily. It might be a case in which they would seek to have the taxpayer file a waiver to keep the taxation year open until the comfort letter is passed.

**Hon. Stéphane Dion:** Then it really is a problem that it's not enacted.

**Mr. Brian Ernewein:** Yes; it ultimately requires that Parliament enact the implementing legislation, absolutely.

**Hon. Stéphane Dion:** This is my final question. Is the department now equipped to give the minister and the government their yearly bill, which would be exhaustive and include all the technical amendments?

**Ms. Louise Levonian:** There is a backlog of amendments, and we are in a position to put forward certain packages, but regarding a question that was asked earlier, it will take some time to clean up the entire backlog, and we'll proceed from there. Basically the information—

**Hon. Stéphane Dion:** Is it yes or no?

**Ms. Louise Levonian:** We would be in a position by the end of 2011 to do it.

**Hon. Stéphane Dion:** It would not be before the end of 2011? We are in 2010.

**Ms. Louise Levonian:** It's a stage-by-stage process. There are 400 or so technical amendments. Some could be brought forward. If we put all 400 forward, it would be a bill of 1,000 pages. I'm not sure that would be readily accepted in Parliament either, so we will be bringing forward pieces of this in tranches.

•(1040)

**Hon. Stéphane Dion:** Thank you very much.

**The Chair:** Mr. Saxton, five minutes.

**Mr. Andrew Saxton:** It's okay, I'm fine.

**The Chair:** Anybody else?

Mr. Kramp.

**Mr. Daryl Kramp:** I'll just maybe take a minute or two, Mr. Chairman. Thank you.

I'm still concerned with this backlog of amendments. If we were to prioritize them—if there were 300, 400, or 500, however many—it would be nice to know exactly what they are and how they would or could impact, if as Mr. Ernewein has said a lot of them are really inconsequential.

I'm wondering, are some of them even post-dated? Were some a good idea ten years ago, but now things have changed so dramatically that they're sitting in the bank vault as an amendment and they're already redundant? Do those possibilities exist?

**Mr. Brian Ernewein:** The short answer is yes.

In terms of the log we keep of technical amendments and concerns, there are provisions that don't get a priority because they aren't very important. Among those would be those that relate to parts of the Income Tax Act that have come and gone.

I can think of a couple of examples relating to the large corporations tax. Essentially a form of capital tax on large corporations introduced in the mid-1980s or late-1980s, it was eliminated by this government a couple of years ago. There were some proposed technical amendments. People would log possible changes or corrections to those provisions. I don't think they will be much of a priority now, so that would be an example of something whose time has passed.

**Mr. Daryl Kramp:** Okay.

Occasionally, on some of these amendments there will be political overtones. I think we all recognize that. But the majority of them, or hopefully the largest majority of them, will be simply housekeeping per se.

Is there some indication that you could provide to this committee of a plan to clean up some of these—or year one, year two, year three, year four, year five—just so that we have some benchmarks and some indication of a level that we could expect you to solve this outstanding issue?

Mr. Horgan, is there any business plan to clean some of these up?

**Mr. Michael Horgan:** We are working on packages to put forward to the minister for his consideration for tabling in the House. The most immediate one is old Bill C-10, which, with some changes that we were proposing, could readily be reintroduced back into the House. That's about a hundred amendments. We're working on other packages to put to the minister for his consideration.

**Mr. Daryl Kramp:** Okay.

Some of the highest areas of concern I have at my constituency office are issues that relate to Revenue Canada. If it's a collection item I think that's understandable, but a lot of times it's an issue of interpretation or a position of guidance. As such, I really do believe that we have to have some certainty going forward. So I would urge you to try to have as clear a playing field as possible. If we are giving advice, I want to be assured that it's just not something that is here today and gone tomorrow.

I'll deal with a specific item just for a second, if I may, Chair.

As an example, I have a company—no name—that was dinged \$750,000. They were dinged this assessment simply because they were told by EDC and by Revenue Canada how to report their taxable income. They did report, but there were modifications and changes that had still not passed. Then an assessment came through and dinged them.

Now, they've appealed it, we went through the whole process and justice was served—no problem at all. But \$750,000 was tied up for two to three years simply due to a lack of clear definition and a lack of clear direction as to how we would proceed. And, once again, they were highly technical issues.

These do have an impact out in the general public and into our constituencies, so I would urge you to be as expeditious as possible to clean up any of these grey areas so it is much more black and white.

Thank you.

•(1045)

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

I just have a clarification, Madam Levonian or Mr. Ernewein.

On the "Court case response—restrictive covenants" on page 11 of the auditor's report, the auditor talks about issues being "statute-barred" because of long delays since 2001. Can you tell the committee, what is the time limit for the CRA to go back to look at transactions? Of course we're talking about the absence of fraud here. Is three years my understanding?

**Mr. Brian Ernewein:** It depends on the taxpayer. For individuals, it's three years; for large corporations, it's four years.

**The Chair:** You can see in this situation that obviously you weren't expecting this court case to come out in 2000. There was another one in 2003 ruling that in the case of anybody receiving amounts of a purchase price that were allocated to a restrictive covenant, the moneys were to be handled on a tax-free basis. The minister at the time—that's back seven years ago—indicated that the government would amend the Income Tax Act.

I am assuming that every tax practitioner in Canada started allocating large sums to restrictive covenants because the money flowed tax-free, but the way I look at it is that it's personal income tax. It's too late now for CRA to go back and challenge anything done prior to 2007. That money is all gone, and until this is done...

I should point out that's exactly what Conrad Black was up to, except that it was a little different in that it was a publicly traded company. The only problem Conrad Black and his partner David Radler had was that the United States securities commission and the United States court weren't as enthusiastic as they were here in Canada about that transaction.

Would you not agree with me that this would be a lot of money lost to the Canadian taxpayers? It has to be.

**Mr. Brian Ernewein:** Well, I have a couple of points.

First of all, your assumption, Mr. Chairman, is very much the same as our own was; that is to say, there'd be a high behavioural response to the court case finding that a certain return was tax-free.

A lot of people would seek to transform their returns into exactly that, and that was the reason for the proposed change.

Second, what I said a moment ago about the time limits is right. Generally it's three years for individuals and four years for large corporations, but CRA has the ability to seek a waiver from a taxpayer to keep the tax return open, and it is possible that they might seek to do that in certain cases.

However, I think the most important point in this case is that with the announcement of the change, we think the behavioural response to the court case probably would have stopped. When it was announced by the Minister of Finance in 2003 that these payments, these rejigged non-competition payments, were no longer going to be tax-free, we think that the mass of people would have stopped setting them up, because there would have been no point. If they had persisted, notwithstanding the fact that they'd be taxable again—and perhaps taxable at a higher rate than capital gains, in some cases—and if the thing had become statute-barred, your point would have been exactly right, but if they changed their behaviour back to the old form as a result of the announcement, we wouldn't have that issue.

Finally, your essential point about the need for Parliament ultimately to enact these so that they do have effect remains absolutely valid.

**The Chair:** You have one question, Madam Faille.

[*Translation*]

**Ms. Meili Faille:** Regarding Mr. Kramp's statement, I too get questions from business people in my riding. So I was extremely surprised to learn that the Department of Finance charges businesses a fee for the advice they are giving. One individual showed me a letter that stated that a fee had to be paid to the government in order to find out what the law allows and what it does not. But I found out later from an official in the Department that despite the fact that the Department of Finance charges a fee for its legal advice, there is no guarantee as to its legal value.

In one case, an individual went to court. The disputed amount was in the range of \$500,000 to \$550,000. The individual ended up winning his case. Nevertheless, this is a major problem.

How can the Department justify charging a fee to businesses for its advice when we find out in the report of the Auditor General that all of this confusion results from the fact no legislation or system is in place?

My next question deals with the 250 advance rulings.

•(1050)

[*English*]

**The Chair:** Madam Faille, could I at least get you to...? We have only a couple of minutes—

[*Translation*]

**Ms. Meili Faille:** Are the 250 advanced tax rulings available to the public on the Internet? Where are they stored?

[*English*]

**The Chair:** Keep this very brief.

**Mr. Brian McCauley:** Actually, that's our question, not the finance department's.

Starting in about 2000, after discussions with industry and practitioners, we put in place a cost-recovery process for advance income tax rulings. Those rulings, as you say quite correctly—around 200 to 225 a year—are binding on the agency. When we provide a ruling, on the assumption that all of the facts are correct and there's full disclosure, of course they are binding on the agency, which is why we take such care with them.

Ordinarily, the 99.9% of taxpayers who request information get that information through a non-cost process: through letters, pamphlets, bulletins, and brochures. That's how the vast majority of guidance is given and questions are answered. This process was set up specifically, as you can well imagine, for what I would call the really high-end, complex need for certainty—mostly, frankly, business types of transactions, at their request. I think there were even some observations in the Auditor General's report about the value of the rulings process, mostly to business.

So that happens on that side. And yes, when we provide something in writing on the assumption that the facts are correct, it is binding on the agency and the government, and we respect it. That is the case here.

**The Chair:** Thank you very much.

Mr. Young, we have a couple of minutes left.

**Mr. Terence Young:** Thank you, Mr. Chair.

I have just a comment before we let the folks from Canada Revenue Agency go. I operated my own business from 2000 to 2008 and I just want to tell you that I found the front-line people with whom I dealt helpful. They were courteous, they were reasonable, and they were somewhat tough. I thought it was a very effective combination. It was the folks in Hamilton that I dealt with; my business was located in Ottawa. I just thought I'd send you out of here—

**Mr. David Christopherson:** They're always like that.

**Mr. Terence Young:** In Hamilton, yes, they are. I've always loved Hamilton.

I just thought I'd give you an “attaboy” before you headed out of here, and congratulations for that front-line service. It is really quite good, I think, as a former business operator.

**The Chair:** Mr. Shipley, do you have a brief comment or question?

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** I apologize that I was late getting here. If I repeat, just stop me.

This is to the auditor. The audit was done from 2004 to 2009. Were the recommendations in the previous audit all followed through, and are they now part of the audit recommendations for 2004 to 2009?

Finance, we have a backlog of amendments. Who will make the prioritization, and how is it done? I'm having trouble, because we're walking around this whole data question, of people not being trained. I don't understand that, because we hire people who should be trained to do things. Are those redundant ones just automatically pulled out, or do we have to just keep going down the list? It would seem to me that when we change legislation, the redundant ones automatically would somehow be pulled out.

Can you help me with that?

**The Chair:** Please provide brief answers to the respective questions.

**Mr. John Rossetti:** Thank you, Mr. Chairman.

In response to the member's question, we've never done an audit like this in the past. The only thing we did look at was comfort letters and the extent to which they were made public, and they are now available to the public. This is really a new audit for us.

**The Chair:** Our time is coming to a close.

I'm going to ask the witnesses if they have any closing comments before we adjourn the meeting, starting with you, Mr. Rossetti.

**Mr. John Rossetti:** Mr. Chairman, I'd like to thank the committee for looking at this issue. Obviously it's a complex one and it's going to take a little bit of time to resolve. We hope that over the long run we'll get back to the state we'd all like to be in.

**The Chair:** Mr. Horgan.

**Mr. Michael Horgan:** My only comment would be to thank the committee and as well to emphasize that from our point of view this is a very important issue and that it's important for Canadian taxpayers to have it resolved. The department is committed to doing its part to get it resolved.

•(1055)

**The Chair:** Madam Lizotte-MacPherson.

**Ms. Linda Lizotte-MacPherson:** Thank you.

I too would like to thank the committee for its time this morning, and certainly the positive feedback is also very much appreciated. We are very committed to the action plan and to working with our colleagues from the Department of Finance to support them in whatever way we can.

**The Chair:** Okay.

On behalf of each member of the committee, I want to thank all of you for coming here today. It's certainly been an interesting meeting. This is a complicated issue, but it is on the other hand an extremely important issue. There are certain questions, and we hope they are resolved in the very near future. So again, thank you very much.

The meeting is adjourned.







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