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—
Chair

The Honourable Wayne Easter

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•(0815)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We shall come to order. I know the minister is very tight on time and has to leave at 8:50 a.m. at the very latest. Pursuant to Standing Order 108 (2), the committee will do a study of report 7, "Compliance Activities—Canada Revenue Agency" of the 2018 fall reports of the Auditor General of Canada.

Welcome, Minister. The committee just wanted to see you one more time in 2018.

Welcome to the officials from the Canada Revenue Agency: Mr. Hamilton, commissioner; and Mr. Gallivan, assistant commissioner.

I understand that both the minister and Mr. Hamilton have fairly concise opening statements, and we'll go from there.

The floor is yours.

[Translation]

Hon. Diane Lebouthillier (Minister of National Revenue): Hello, Mr. Chair, ladies and gentlemen.

I would like to thank you for this invitation to provide you with more information on the "Compliance Activities of the Canada Revenue Agency" report, which is part of the 2018 Fall Report of the Auditor General of Canada.

This morning, I am accompanied by Bob Hamilton, Commissioner of the Canada Revenue Agency, and Ted Gallivan, Assistant Commissioner, International, Large Business and Investigations.

First, I would like to thank the Auditor General for his important work. I welcome his recommendations regarding the Canada Revenue Agency's compliance activities.

Since my appointment as Minister of National Revenue, I have always worked toward a fair and equitable tax system that meets the needs of all Canadians.

Unlike the Conservatives, who made cuts without thinking of the consequences, our government has decided to reinvest in the agency and in the service it provides to Canadians.

Today, I want to reiterate that I am firmly committed to making sure that all Canadians are treated fairly and equitably by the agency. They must receive the benefits and credits they are entitled to, and assurance that everyone pays their fair share of income tax.

In light of some recommendations that were made, what the Auditor General is telling us in this report is that we can always do more; that we can always do better.

In October, I announced the appointment of the first chief service and data officer. That appointment confirms our wish to establish a service culture within the agency, a culture that maintains Canadians' trust, a culture that puts people at the centre of our decision-making process.

We therefore accept the recommendations regarding our reporting and our processes. I assure you that we will continue to put every necessary effort into making these improvements.

Regarding reporting, Canadians expect us to be able to better report on our results. To do this, I believe that every organization should have access to reliable data and indicators to make the best decisions.

We already started the work in 2016 by estimating the tax gap, and we will continue our work with the chief data officer.

Regarding processes, I agree that the law has to be applied consistently and fairly in all regions of the country. We work with millions of Canadians and businesses. However, each case is different. Some are more complex, others are simpler. However, in all cases, the compliance programs have only one goal: to make sure that the tax system is fair and equitable for everyone across the country. This is the assurance that we must give Canadians.

In response to the concerns the Auditor General raised, the agency has developed an action plan. A copy has been submitted to your committee. This plan illustrates the measures that will be taken to address the recommendations from the Auditor General, in addition to describing the approach that the agency intends to adopt in revising its internal processes and procedures.

A fair tax system is one that works for all Canadians.

As Minister of National Revenue, I will always be open to putting measures in place that ensure the fairness of our tax system and that make it easier for Canadians to meet their tax obligations.

Thank you very much.

•(0820)

[English]

The Chair: Thank you, Minister, and thank you for a copy of the fairly detailed action plan.

Mr. Hamilton.

Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency): Thank you, Mr. Chair. It's a pleasure to be here today to talk about the Auditor General's report 7, which looks at the compliance activities of CRA.

As I mentioned during my appearance yesterday before the Standing Committee on Public Accounts, we operate in a very diverse and complex environment. Our agency's compliance activities can range from performing audits of large multinational corporations to validating T1 returns of individual Canadians. In each instance, however, the CRA works to promote awareness of and ensure compliance with the laws we administer so as to uphold the public's trust and confidence in the tax system, and we endeavour to do so in a fair way.

[Translation]

This environment becomes even more complex when tax schemes cross borders. In fact, a significant compliance challenge for tax authorities around the world has been addressing the effects of base erosion and profit shifting.

[English]

Through organizations such as the OECD and the joint international task force on shared intelligence and collaboration, we work closely with international partners on better exchange of information and to share information that helps identify tax cheating. It is within this environment that the agency will address the Auditor General's recommendations.

As you are aware, Mr. Chair, the Auditor General's fall 2018 report assessed the CRA's consistency regarding the application of compliance measures for various types of taxpayers across Canada. The report also considered how the performance indicators for compliance activities were measured, monitored and reported to Parliament. The Auditor General made recommendations in the areas of consistent treatment, timely processing and performance measures.

[Translation]

The CRA has developed an action plan to address the Auditor General's concerns.

As the Minister mentioned, the CRA has committed to taking action in all areas identified by the Auditor General, while at the same time recognizing the differences in our compliance issues and challenges across the various taxpayers with whom we interact.

[English]

Our detailed action plan, a copy of which has been provided to members of this committee and to the Standing Committee on Public Accounts, outlines in greater detail the specific actions being planned and taken. In the interests of time, I will not go through the document point by point but would highlight the CRA's intention to, among other actions, clearly indicate the timelines for audit activities, as well as develop guidelines for seeking court orders to compel sophisticated taxpayers' co-operation; to establish guidelines for the administration of taxpayer relief provisions; and to develop guidelines to understand the delays attributable to the agency as opposed to those of the taxpayer.

The CRA is putting more emphasis on education and communication with taxpayers to achieve long-term compliance. At the same time, we are determined to identify taxpayers involved in tax evasion and aggressive tax avoidance, both domestically and internationally, and to ensure that those who choose not to comply with the law face the appropriate consequences. These efforts support the CRA in building and maintaining confidence in the fairness and integrity of Canada's self-assessment tax system, increase awareness of the agency's compliance activities and deter tax avoidance and evasion.

Finally, I would note that in the past two years the CRA is aligning its operations and approaches based on previous recommendations of the Auditor General. In fact, the CRA has made measurable progress in its operations in specific areas, based on feedback provided by the Auditor General in the fall 2016 and fall 2017 reports. I believe the agency has demonstrated that it follows through on commitments following the Auditor General's reports, and the same attention will be paid to the recommendations made in report 7 of this report.

I welcome any questions the committee may have.

Thank you.

●(0825)

The Chair: Thank you very much, Commissioner.

Thanks to both of you. We will go to four six-minute rounds, according to the clock.

Mr. Sorbara.

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

[Translation]

Good morning, Minister, and welcome.

I'd like to ask you a few questions.

You've committed to changing the agency's culture so it treats all taxpayers as important clients. However, the Auditor General has concluded that the agency doesn't treat everyone fairly. Do you consider that finding accurate?

Hon. Diane Lebouthillier: I thank my colleague for his important question and congratulate him for asking it in French.

Since we've been in power, I've observed the legacy the Conservatives left to the agency: it was really in poor shape as a result of their decisions. According to the report published by the Professional Institute of the Public Service of Canada that was forwarded to us last week, the thoughtless cuts suffered by the agency during the Harper era had devastating consequences. The report clearly states:

The single most destructive event occurred as a result of the 2012 budget when, in one fell swoop, \$250 million and 1,200 jobs were cut from CRA's budget. All told, successive austerity initiatives resulted in almost \$900 million in projected cuts and the scheduled elimination of almost 3,000 jobs.

As you'll understand, those deep cuts undermined services and investment in technologies.

When we came to power, my mandate letter was very clear: the CRA had to serve its clientele. That was really the thrust of my mandate letter. We therefore invested in clientele services in addition to allocating historic budgets to combating tax evasion. On my watch, we've appointed the first chief service and data officer, who really puts the clientele at the centre of our decision-making process.

We've worked hard for three years to change the agency's culture. The work has begun. There are 40,000 employees at the agency. It's a big ship, and it's changing course. I very much hope that my legacy will be improved services and that the culture change we've made is permanent.

[English]

Mr. Francesco Sorbara: Madam Minister, we are at nearly the end of the calendar year, which for taxpayers is the end of their fiscal year. What message would you like to send the taxpayers now that they will be filing their income taxes in a few months? I think we have done a number of things to simplify the system, to make it more efficient. Filers can file online. We've obviously reduced taxes for nine million Canadians. Perhaps you can comment on the resources that we put in place to allow filers to file by telephone, in some instances, and to simplify the system for all Canadians.

[Translation]

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

I'm determined to improve the agency's services to meet the needs of all Canadians. The purpose of everything the agency has put in place in the past three years is to make the client our central concern.

We've introduced a new service, File My Return, an automated telephone service accessible to more than 950,000 taxpayers who have straightforward tax situations. We've clarified and simplified the use of our My Account service and also launched the CRA BizApp application.

We've reinstated the Disability Advisory Committee.

We've launched two series of Serving You Better consultations with small and medium-sized enterprises to determine with them how the agency can further simplify the way it works with them.

We've improved the objection process.

In February 2019, we'll be opening service centres for northern communities in the territorial capitals. What people in the north are experiencing is important to us. Their situation is very different from that of people in the south.

We've completed installation of the new call centre platform, and it will be functional very soon. Business information requests directed to call centres migrated in November, and the service line for benefit information requests migrated on December 3.

We've also appointed the chief service and data officer, who will ensure the clientele is treated equally in the Canada Revenue Agency's various areas of activity.

We have simplified the agency's letters and forms. Last year we mailed tax packages to Canadians who chose to file their returns on paper, and we will do the same thing this year.

As I mentioned, the agency is still working to put the client at the centre of its actions.

• (0830)

[English]

The Chair: Thank you, Minister.

We'll turn to Mr. Kelly for six minutes.

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

This report we are studying is quite extraordinary. It is just a horrific read, in that it describes how the agency has failed to apply the Income Tax Act fairly to all Canadians. The fairness of the system is critical in a self-reporting system. Canadians need to know that their agency is applying the law fairly.

Minister, I'd like to bring your attention to page 6 of the report. It is going to be particularly troubling to Canadians to learn that the agency would automatically disallow the expense as an eligible income tax deduction when the agency requests a document and a taxpayer fails to provide it in 90 days.

That's if you're an individual, not, for example, somebody with an offshore transaction. The report goes on to say that the agency, if the taxpayer has offshore transactions, would allow "months or even years" to comply. In some cases, the agency, having not obtained the information at all, would just close the file without assessing any taxes.

How is that applying the law fairly to Canadians and having and achieving a client-focused agency?

[Translation]

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

First of all, I would like to remind my colleague that the horrific situation at the Canada Revenue Agency occurred during the 10 years of the Harper government's mandate. As I mentioned in my presentation, the report clearly states: "The single most destructive event occurred as a result of the 2012 budget when, in one fell swoop, \$250 million and 1,200 jobs were cut [by the Conservatives] from CRA's budget."

Having said that, I'm determined that Canadians will be treated fairly and equitably and that everyone will pay their fair share.

I'd also like to say that tax files are all different: some are simpler, others more complex. The complexity and extent of information influence the agency's approach. People who can't meet a deadline set by the agency can contact it and explain their situation.

I would ask the commissioner to add to that information.

[English]

The Chair: I wonder, Minister, if we could go to the commissioner a little later. We know you're short on time. I'll let Mr. Kelly go to his second question.

● (0835)

Mr. Pat Kelly: That's okay. We have more time later.

Minister, it's extraordinarily disappointing to hear in your fourth year as minister that you have no better answer to this report than to blame the past. It's not about how many people are employed at the agency, Minister. It's about treating taxpayers fairly and applying the law fairly to all Canadians.

In the report the Auditor General also describes how when the agency makes mistakes and the agency itself fails to supply information on a timely basis or gives out incorrect information, that there is no consistency in how the agency deals with penalties. Penalizing a taxpayer when the agency has made a mistake is extraordinarily unfair to a Canadian taxpayer and the inconsistency around relief from penalties when the agency is at fault I'm sure many Canadians would be very upset to hear when reading this report. It would be familiar to many Canadians who have had this experience.

Can you tell the committee now what you are doing today to ensure that when the agency makes a mistake it's not penalizing taxpayers?

[Translation]

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

I'd like to remind him that the Conservative government made cuts without any vision for the future of the agency and without any consideration for clients, who must be treated properly.

[English]

Mr. Pat Kelly: That wasn't the question.

[Translation]

Hon. Diane Lebouthillier: The cuts had significant impact.

[English]

Mr. Pat Kelly: You've been the minister for three years.

[Translation]

Hon. Diane Lebouthillier: The call centres had inadequate equipment. Service business hours and employee training had been cut. I don't need any lectures from the Conservatives.

The work we've done at the Canada Revenue Agency in the past three years has helped us respond more effectively to the recommendations of the Auditor General of Canada.

[English]

Mr. Pat Kelly: Minister, Canadians expect you to take responsibility for your department.

[Translation]

Hon. Diane Lebouthillier: We also modernized our call centres in response to the Auditor General's report last year. The call centres for business information requests migrated in November, and everything is working very well. Online information request services also migrated on December 3. From those new facilities, we'll be able to provide training to employees, which will enable them to respond more effectively to clientele requests.

[English]

The Chair: We're over time.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

Thank you for your time, Minister, although it's only 30 minutes. I'm a bit disappointed by this limited period of time, which is less than what the other ministers give committees when they appear.

That being said, the Auditor General's report was extremely clear: we have a two-tiered tax system, one tier for the richest Canadians and another for everyone else. Compared to all other taxpayers, the rich, such as multinationals and those with offshore accounts, get special privileges, additional relief measures and much longer deadlines.

Would that be, for example, because influential people like Mr. Bronfman and Mr. Kolber inhabit the upper echelons of Mr. Trudeau's government? Does your government maintain this kind of two-tiered system for these kinds of rich taxpayers who are named in the Paradise Papers?

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

As I said, I've been determined since the start of my mandate to ensure that Canadians are treated fairly and equitably and that everyone pays their fair share. I'd also remind you that all tax files are different, some are simpler, others more complex. The complexity and scope of information requests influence the agency's approach. People who can't meet a deadline set by the agency may communicate with it and explain their situation. Those explanations are taken into account.

● (0840)

Mr. Pierre-Luc Dusseault: My question was whether you were influenced by rich Canadian taxpayers like Mr. Bronfman or Mr. Kolber.

For your information, we now know that Mr. Kolber himself contributed to your re-election campaign. Mr. Kolber, who is named in the Paradise Papers, made a generous donation to the Gaspésie—Les Îles-de-la-Madeleine federal Liberal association. Do you think the fact that rich taxpayers like Mr. Kolber, who is named in the Paradise Papers, make political donations to your election fund sends a positive signal to average taxpayers?

Hon. Diane Lebouthillier: I can tell you that, as far as I'm concerned, everyone is and will be treated fairly and equitably.

Mr. Pierre-Luc Dusseault: Yes, but what signal is being sent when Mr. Kolber, who is named in the Paradise Papers, makes donations to your Liberal association?

Hon. Diane Lebouthillier: As far as I'm concerned, everyone will be treated fairly and equitably.

Mr. Pierre-Luc Dusseault: Why did you accept that donation from a well-known taxpayer, a former Liberal senator named in the Paradise Papers as a result of his trust in the Cayman Islands? Why did you accept that donation from him?

Hon. Diane Lebouthillier: I'm telling you, I'm repeating to you, and I will repeat indefinitely that, as far as I'm concerned, everyone will be treated fairly and equitably.

Mr. Pierre-Luc Dusseault: Then why didn't you refuse to accept that donation? What appearance does that project? What signal does it send to taxpayers?

Hon. Diane Lebouthillier: Everyone will be treated fairly and equitably.

Mr. Pierre-Luc Dusseault: Those are just words.

Hon. Diane Lebouthillier: Sir, if you came and visited my riding, given my reputation there, everyone would tell you that I treat people fairly and equitably. It's a point of honour for me.

Mr. Pierre-Luc Dusseault: That's too bad because the signal it sends is that rich taxpayers in Montreal are making donations to you, that the two-tiered system is in place and has been in existence for the three years you've been in your position and that the rich get favourable treatment. We already knew that, but the Auditor General has confirmed once again that the rich get favourable treatment. You're preserving that system.

I'll move on to another subject because I know my speaking time is limited. I want to go back to something you've said many times. A year ago, on December 7, 2017, you said you were in the process of recovering \$25 billion. You also said, in December 2017, that people had received their notices of assessment and that the agency would successfully collect those funds.

One year later, Minister, how much of that \$25 billion have you managed to recover?

Hon. Diane Lebouthillier: I can tell you that our government has made historic investments in the fight against tax evasion. We're the first government that has invested nearly \$1 billion in the fight against tax evasion. Furthermore, under our leadership, the agency has hired 1,300 auditors and conducted twice as many audits relating to offshore activities as were done under the Harper government.

Mr. Pierre-Luc Dusseault: Minister, you promised to recover \$25 billion. How much money have you actually recovered?

Hon. Diane Lebouthillier: Federal tax amounts associated with convictions have increased from \$12.5 million in 2014-2015 to \$45.4 million in 2017-2018.

Mr. Pierre-Luc Dusseault: Minister, how much of that \$25 billion have you recovered as you promised a year ago? Do you have an exact amount?

Hon. Diane Lebouthillier: I'm going to turn the floor over to the commissioner. He can answer your question.

Mr. Pierre-Luc Dusseault: No, that's fine. He'll be appearing shortly for an hour and 15 minutes.

Let's quickly move on to another subject. When we saw each other the last time, you said there had been 38 convictions for tax evasion, but you repeated in the House that there had been 78 convictions for tax evasion. However, when we questioned you, you couldn't say exactly how many of those convictions were related to offshore tax evasion.

Today, in December 2018, now that you've been in your position for three years, how many convictions have you won for offshore tax evasion?

Hon. Diane Lebouthillier: As I told you, we've hired 1,300 new auditors and conducted twice as many audits as the Harper government did in the 10 years of its mandate.

Mr. Pierre-Luc Dusseault: I know you conduct audits, but is that resulting in convictions?

Hon. Diane Lebouthillier: The Canada Revenue Agency is currently conducting audits in more than 1,100 cases and criminal investigations in more than 50 offshore tax evasion cases. Our plan is working, and we're starting to see results.

Mr. Pierre-Luc Dusseault: If your plan was working, there'd be convictions today, but you've mentioned none.

[English]

The Chair: Mr. Fergus, you'll have only five minutes..

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

Minister, thank you very much for appearing before the committee today. It's very kind on your part.

I have to express my disappointment with opposition members who try to denigrate the political contributions process by giving Canadians the impression that all those people who make donations aren't subject to the same rules. However, we know that all Canadians who make political contributions are subject to an amount limit, which, I believe, is \$1,500 now, without expecting anything in return. So I find what's happening here really disappointing.

Thank you for being with us and for your patience, Minister.

The opposition members are trying by their questions to make us believe that the agency isn't doing its job in combating tax frauds who are named in the Panama Papers and instead is harassing other Canadians. Can you tell us where the analysis that your agency is conducting stands?

● (0845)

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

According to my information, the Canada Revenue Agency has identified more than 3,000 foreign entities associated with more than 2,600 owner beneficiaries who have connections with Canada, and it has already audited 80% of them. We have chosen to tighten the rules of the voluntary disclosures program, the VDP, to prohibit access to taxpayers who are named in the Panama Papers or in information leaks.

Under my leadership, we have struck a committee to determine how to tighten the agency's rules in tax evasion cases as well as the rules of the VDP. In the first year of my mandate, we began to review four countries a year under country-to-country agreements. When the agency intervenes with respect to a country, people who have assets in that country no longer have access to the VDP.

So we're doing everything necessary to ensure all taxpayers pay their fair share. I've said this, and I'll repeat it: we've given the agency tools to tighten the vice. I invite people to disclose their information voluntarily before the agency begins looking into what's going on in a particular country as part of the country-to-country exchange of information.

Mr. Greg Fergus: Minister, can you confirm that these measures designed to combat the tax frauds named in the Panama Papers are unusual in the agency's history?

Hon. Diane Lebouthillier: Pardon me, but I don't really understand your question.

Mr. Greg Fergus: Many discussions are taking place at the same time; I understand why it's hard to hear me.

Can you reassure the committee that the measures you've just taken to deal with the tax frauds named in the Panama Papers are unusual?

Hon. Diane Lebouthillier: Yes, indeed. I want to remind everyone here that Jean-Pierre Blackburn, a Conservative who was Minister of National Revenue, said that efforts to counter tax evasion were not a priority for the Conservatives when they were in power. [English]

Hon. Pierre Poilievre (Carleton, CPC): I have a point of order, Mr. Chair.

I have just been informed that the minister will be violating the committee's request to stay for an hour. She will be running out the door in order to avoid tough questions on the Auditor General's report. That she has said she is just being informed now is quite astounding. The minister, having received a damning report demonstrating her personal incompetence and failure—

The Chair: I don't think that's a point of order, Pierre.

Hon. Pierre Poilievre: —will be heading for the hills and avoiding tough questioning—

The Chair: I don't think it's fair—

Hon. Pierre Poilievre: —in just a few moments.

If I could just finish, Mr. Chair, it is my point of order.

These are important questions to which the minister is accountable to Parliament. We have a report here that says, if the agency asked an individual to provide a receipt to support a claimed expense and the taxpayer did not provide that receipt within 90 days, the agency would automatically disallow the expense of an eligible income tax deduction.

By contrast—

• (0850)

The Chair: I think your point of order—

Hon. Pierre Poilievre: Actually, my point of order is very much in order, and I do have the floor.

In contrast, for those with offshore transactions, it goes on—for example, banks and foreign countries—they could take months to provide information to the taxpayer's offshore transactions to the agency or the taxpayer.

The Chair: Mr. Poilievre, your point of order was on the time of the minister. You're getting into the Auditor General's report.

Hon. Pierre Poilievre: You're right, and if I could conclude, Mr. Chair—

The Chair: We did include the minister, and it said on the agenda—

Hon. Pierre Poilievre: Mr. Chair—

The Chair: It said on the agenda—

Hold on; I'll give you time.

Hon. Pierre Poilievre: I have a point of order.

The Chair: It said on the agenda 8:15 to 8:45 for the minister. The minister agreed to stay until 8:50. She has a cabinet meeting. You understand that, when you have a cabinet meeting called—you were a cabinet minister—you have to go.

Hon. Pierre Poilievre: I understand. You said I was going to get a chance to speak.

The Chair: The commissioner of the agency is here until 10:15.

Hon. Pierre Poilievre: Yes.

The Chair: There will be appropriate time. We always have the opportunity to call the minister back again.

Hon. Pierre Poilievre: What I understand about being a minister is that ministers are actually accountable to committees, unless they have something to hide or are unable to answer questions.

The Chair: That's—

Hon. Pierre Poilievre: No, excuse me.

We have a report from the Auditor General, who is an officer of Parliament. It is our duty to ask questions about this report. All this minister has been able to do is read a few PMO talking points before running out the door, avoiding any questions about the report itself.

You, Mr. Chair, have allowed that to happen, just as you have done repeatedly with other ministers, when you have stepped in to protect them against answering tough questions on behalf of taxpayers.

Our duty here is to ask questions about this report, so I ask the minister if she will do her duty and stay here for an hour, just as this committee—with a Liberal majority—asked her to do. Will she honour the request of the committee and stay for an hour, yes or no?

The Chair: The minister has a cabinet meeting to go to.

Minister, you have to go to a cabinet meeting, I understand.

When we set out the agenda, we outlined in the agenda that we would only have half an hour with the minister due to that fact.

Hon. Pierre Poilievre: I think she's going to agree to stay for an hour.

The Chair: Madam Minister.

Hon. Pierre Poilievre: I think she's going to agree to stay for an hour.

[*Translation*]

Hon. Diane Lebouthillier: Mr. Chair, I'd simply like to say this to my colleague Mr. Poilievre: I get up at 4 a.m.; if you had held a meeting at 6 a.m., it would've been a pleasure for me to spend more time with you.

[*English*]

Hon. Pierre Poilievre: Tomorrow morning—

[*Translation*]

Hon. Diane Lebouthillier: I have another meeting at that time.

Hon. Pierre Poilievre: I'll be here tomorrow at 6 a.m.

Hon. Diane Lebouthillier: Have a nice day.

[*English*]

The Chair: We're going to get into a debate here. The minister is going to have to leave. I'll let Mr. Fergus finish his question, and then we'll—

Hon. Pierre Poilievre: Mr. Chair, I have a point of order.

The Chair: —turn to the commissioner.

Minister, thank you for—

No, to your point of order request.

Thank you, Minister, for coming, and we're left with the commissioner and deputy commissioner.

Mr. Poilievre, you have about a minute left.

Hon. Pierre Poilievre: This report says that individual taxpayers are facing harassment if they can't provide a receipt within 90 days, while wealthy international bankers—

The Chair: Mr. Poilievre, that is not a point of order. You're getting into the Auditor General's report, which you can question the commissioner on.

Hon. Pierre Poilievre: —who have offshore foreign transactions are allowed to go for months without facing any accountability from this minister's department.

That is actually something on which we have a duty under the Standing Orders to ask questions, Mr. Chair.

The Chair: Mr. Poilievre.

Hon. Pierre Poilievre: You might not like that. You might want to prevent tough questions from being asked—

The Chair: I have no problem with your questions, Pierre.

Hon. Pierre Poilievre: —of witnesses because you want to protect your government.

The Chair: Could we come to order?

You're in the next round of questions. You'll get an opportunity to have six minutes.

An hon. member: I have a point of order, Mr. Chair.

Hon. Pierre Poilievre: Sir, you can come to order whenever you're ready to come to order, but I'm going to continue with my point of order.

The Chair: What's your point of order?

Hon. Pierre Poilievre: My point of order is that we had half an hour. This committee, even with a Liberal majority, asked for an hour.

That minister did not answer a single question. She was asked pointed questions about this report. Instead, she buried her head in PMO talking points and went on—if I could finish—and continued to burn our clock.

In the five minutes that we had to question her—

The Chair: It was six minutes.

Hon. Pierre Poilievre: Oh, thank you—six minutes.

An hon. member: I have a point of order, Mr. Chair.

The Chair: I already have a point of order.

Hon. Pierre Poilievre: In the six minutes that we had to question her in order to get to the bottom of the details in this report, you consistently prevented us from cutting in to defend our time against that kind of abuse by ministers in your government.

Then, half an hour before she was supposed to leave, she gets up and runs out the door instead of answering questions about a damning Auditor General's report about the abuse of individual taxpayers and the leniency towards wealthy international tax evaders.

This is at the heart of what we're supposed to be doing in the finance committee, and I appreciate that you've said before that you don't like tough questions. You've interrupted me—

● (0855)

The Chair: I have not said I don't like tough—

Hon. Pierre Poilievre: You have, indeed, Mr. Chair.

You've interrupted me when I've asked Minister Morneau yes or no questions.

Now today you've allowed this minister to avoid responsibility to Parliament for a damning Auditor General's report by allowing her to testify for only half an hour when the committee asked for an hour, and by allowing her to burn what little time there was by avoiding the questions all together.

Frankly, the job of the chair of the committee is not to be the bodyguard of the minister. It is to facilitate parliamentarians' holding ministers accountable. That is the nature of our parliamentary system.

The Chair: On the point of order, we'll have Mr. Fergus and then Mr. Fragiskatos.

[*Translation*]

Mr. Greg Fergus: Mr. Chair, thank you for allowing me this point of order.

I'd like to point out that my opposition colleague violated my rights as a member when I directed my questions to the minister. He interrupted the conversation not to make a point of order but to insinuate himself into the debate. He prevented me from using my speaking time to put my questions to the minister. That's unfortunate because she was coming to what I thought was a very interesting point. She was citing the remarks of a former Conservative minister, and Mr. Poilievre suddenly realized she had to leave after 30 minutes. And yet it was clearly stated in the agenda distributed to all the members that the minister was coming to answer our questions despite the fact she had to attend a cabinet meeting.

I repeat that he violated my rights. As a member, I have a right to ask the minister questions. However, he used my speaking time to intrude into the debate. That's unacceptable. When the chair says it's time to switch off the microphones, you switch off the microphones.

This is unfair. I had a good question for the minister, but I didn't have an opportunity to ask it or to get an answer. That's unfortunate.

[English]

The Chair: I have Mr. Fragiskatos, Mr. Kelly and Mr. Dusseault.

I would suggest that the commissioner is in charge of the agency and that the Auditor General's report is before us. It might be wise to take as much time as possible as parliamentarians to ask the commissioner, who is in charge of the agency—yes, the minister is as well—to draw out the facts.

I'll go to the other comments and the point of order.

If you want to challenge the chair, you can do that.

Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you very much, Mr. Chair.

The last thing I want to do is challenge the chair. All I wanted to say is that I know I speak for the vast majority of the members of this committee when I say that you always run a fair meeting, and that my colleague ought to know, if he checked his email, which is not very difficult, that the agenda for this meeting was sent out in a very timely way.

We had an opportunity to know exactly what was planned for this meeting, and each point of order that he made not only interfered with my colleague's questioning, as he rightly points out, but also deviated entirely from the substance of the points that were raised.

His "point of order", if I can put it this way, was not a point of order. We need to really be serious about the work we're doing here, and I worry that my colleague is not as serious as he claims to be.

Mr. Pat Kelly: In the interest of proceeding to Mr. Hamilton, I'll pass.

The Chair: Mr. Dusseault.

Mr. Pierre-Luc Dusseault: My question is, if the committee asked for one hour with the minister, who decided that 30 minutes was enough? Why didn't we schedule another time to get the full hour-long meeting that was supposed to happen with the minister?

I was wondering how this situation happened in the first place.

● (0900)

The Chair: The invitation was for two hours for both. When the minister responded, she could only agree to one hour because of a cabinet meeting. Then the cabinet meeting was moved up to an earlier time, and we, therefore, agreed that we would start at 8:15 rather than 8:45 so that we had at least half an hour with the minister.

Mr. Pierre-Luc Dusseault: Why was there no discussion with everyone around this table to see whether this was an acceptable situation? If the committee agreed to one hour in the first place, who decided that 30 minutes was enough?

Mr. Greg Fergus: Mr. Chair, I have a point of order.

The Chair: I think it relates to the issue that the only date she could accept with any time was today; otherwise, we'd end up going into 2019.

I'll take responsibility for accepting for today, because I thought it was better to have her come in for at least half an hour before the adjournment for the Christmas break, rather than leave it to 2019. We have the commissioner here as well, for the rest of the time.

Mr. Pierre-Luc Dusseault: Will she be here for another 30 minutes in 2019? Is this your plan?

The Chair: I would think, if we're going to go to 2019, that you'd want to go to basically an hour then, not half an hour. Half an hour is really difficult, because you only get four questions. You understand that.

Mr. Fergus.

Mr. Greg Fergus: If I recall correctly, Mr. Chair—and I'd love to have the clerk take a look at it—what was discussed was in camera, so I feel very reluctant to raise this publicly. I'm pretty certain, however, that the motion we passed was to ask the minister to appear. There was no time allotted to it. The normal practice, of course, is that we would like her to be here for an hour.

The fact is, however, that she came before Christmas and before we go off back to our ridings for the next six weeks, which I thought was very generous of her. She made the accommodation to come right away. If I remember clearly, there was no mention of an actual time.

The Chair: I'll read to you what was agreed, and then we'll turn to questions for the commissioner and deputy commissioner.

On committee business:

It was agreed, — That, considering the statement in the Minister's mandate letters from the Prime Minister that Ministers be held accountable to parliamentary committees, the Committee request that the Minister of National Revenue and officials from the Canada Revenue Agency appear before the Committee for a briefing on the Tuesday, November 20, 2018, report published by the Auditor General of Canada on the Compliance Activities of the Canada Revenue Agency; that in their briefing the Minister and officials explain to the Committee steps being taken to address concerns highlighted in the Auditor General's report; that this meeting be televised.

That was the motion. It didn't specify time—

Mr. Greg Fergus: Thank you.

The Chair: It's usually standard procedure that we have the minister for an hour. In fairness to the CRA and the minister, they have outlined their action plan to us as part of that request in our meetings.

We will come back to Mr. Fergus. You have about a minute left, if you want to go. Then we'll go to Mr. Poilievre and go down the line from there.

Mr. Greg Fergus: Mr. Chair, the question that I would love to have had answered was the one the minister was going on before we went into the next round of questions to the commissioner.

Commissioner, I don't know if you're able to continue in the line of response that the minister was about to give, in terms of providing us with some testimony, or a public reaction, from a former minister for national revenue, Jean-Pierre Blackburn.

• (0905)

Mr. Bob Hamilton: I'm actually trying to remember exactly where we were when we left off when the minister left. I'm not sure that I can add very much to that particular issue. I'm happy to respond to other questions, but off the top of my head, I can't really think of anything productive that I could or should say in that regard.

The Chair: Okay, thank you.

We're in five-minute rounds. We'll start with Mr. Poilievre, and then Mr. McLeod.

Hon. Pierre Poilievre: Commissioner, the Auditor General found, in paragraph 7.32, that "For example, if the Agency asked an individual to provide a receipt to support a claimed expense and the taxpayer did not provide the receipt within 90 days, the Agency would automatically disallow the expense as an eligible income tax deduction."

That's for average taxpayers. By contrast, for others, such as those with offshore transactions, they found that the time frame to provide information was sometimes extended for months or even years. For example, banks and foreign countries could take months to provide information on the taxpayer's offshore transactions to the agency or to the taxpayer.

Why is it that this agency, under the direction of your Liberal minister, goes after small pizza shop owners because they don't have a receipt for filling up their tank of gas for a delivery, but the international tax evaders who have offshore accounts get months of reprieve from pursuit by your department, according to the Auditor General?

Mr. Bob Hamilton: Let me respond with a few points.

First I would say that one of the important jobs we have at the agency is to make sure we administer the system as fairly as possible and that it's perceived that way by Canadians. This notion that somehow big taxpayers can get away with something that regular taxpayers can't is important. We want to make sure that we don't administer that way. I believe that we do a very good job of administering the system fairly for all.

Hon. Pierre Poilievre: The Auditor General doesn't agree.

Mr. Bob Hamilton: That is an opening point. It's very important for us, because if Canadians don't have trust in us as administrators, that's a problem in a self-assessment system.

Point two is that the tax system we administer does obviously apply to a diverse range of taxpayers—as you've pointed out—from multinational corporations to small businesses to individuals. We need to recognize—

Hon. Pierre Poilievre: I have a point of order, Mr. Chair.

We have five minutes here to ask questions. It was specifically about why people with offshore transactions don't have to provide evidence of their transactions while individual taxpayers here in Canada must do so within 90.... I don't need it to be explained to me that there are various types of taxpayers. That's sort of elementary. We all know that.

Just for your reference, it's paragraph 7.32 and 7.33. I appreciate that this should have been a question to the minister, but she's obviously run for the hills because she doesn't want to answer these questions. If we could just stick to the actual question rather than trying to give us a pedagogical background on the different types of taxpayers who exist.... We already know that.

The Chair: Mr. Poilievre, the commissioner has the opportunity to answer. He's a stickler on time the other way. He didn't have half the time you took to ask the question. It's fair. I try to be fair in terms of my ruling. I think the commissioner has the right to answer how he feels is the correct answer and give a full explanation. You may understand it because you have the Auditor General's report in front of you, but somebody who may be watching this may not have the same explanation as you do.

I think it's fair and I'll not take time away from you based on our discussion here.

Mr. Commissioner, you have a little time left to answer fully.

Mr. Bob Hamilton: I will respond.

That's the important aspect for us, to understand that we want to administer fairly across the broad range of taxpayers, but we do obviously deal with them. In this particular example that was raised in the Auditor General's report I would say that we are reviewing the issue that he raised for us. We understand that in dealing with diverse taxpayers sometimes to get to the right answer it takes more time with some than others. We are looking at both ends of that spectrum, though. In the case of people who face the 90-day deadline, there is always an opportunity for them to come to the agency and request more time, and we try to accommodate and show that flexibility when we need more time to get to the right answer.

On the large, multinational, complex cases, we did commit in the action plan to look at our rules there and to look at whether we can come up with clearer guidance as to how much time should be taken and when we need to take stronger action. But there is at the base of it—and this is why I started with my response—that we have to recognize that in order to get to the right answer, so that the right amount of tax gets collected, sometimes it takes longer in certain situations than it does in others. We need to have a system that accommodates that and administers the tax system fairly, but we are looking at—

• (0910)

Hon. Pierre Poilievre: We have no doubt that you have different approaches to different people. That's quite clear. I agree with you on that. The Auditor General's report did find that you're very aggressive when it comes to Joe, the local pizza shop owner, but you're very hands-off when it comes to the international tax evaders, which is consistent with the approach that this government is taking. "Sometimes, the Agency did not obtain information at all, and the file was closed without any taxes assessed", the report says of the pursuit of offshore transactions and international banks and other organizations that have money stashed away abroad.

The average taxpayer, Mr. Commissioner, looks at that and says, my, that must be awfully nice to be able to just keep the information away from the tax agency long enough that CRA just quietly goes away. Unfortunately, as you know, that is not the approach of this government when it comes to everyday working taxpayers, nor has it been with respect to people with diabetes. The Liberal government denied thousands of diabetics their right to the disability tax credit.

Your agency violated the law in doing that. The law is very clear that these people were eligible. You then did a reassessment and admitted that you were wrong to deny 1,326 of the originally denied claims. However, there are 941—I'm wrapping up here—individuals whose applications have been re-disallowed. In other words, they're not going to receive the tax credit they thought they would. Now we find out you're not going to inform them of that fact. Why would you deny these people the right to know they've been refused and thereby prevent them from filing an appeal to that refusal? Why not just send them a letter saying they've been refused so that they have the opportunity to appeal that refusal?

Mr. Bob Hamilton: I'll take the last part of the question, the disability tax credit, and then I'll just turn to my colleague, Ted Gallivan, to comment on the offshore activity.

On the DTC, you're right. Last year we did conduct a review of applications that came in during a certain time frame, and certain of those were deemed to be eligible after review and certain were not. About 900 people, as you mentioned, were found to be still ineligible after the review. We have heard from a number of those people—about 600, I believe, is the number, but I'd have to verify that—and we are looking at options of what to do about the other 300. Normally if we do a review within the agency—say, we undertook on our own to look at a case that was denied, and we feel that it still should be denied—we wouldn't proactively communicate but we are looking at options in this case to make sure that we do the right thing.

Maybe I'll just ask Ted to comment on the first part of the question.

Mr. Ted Gallivan (Assistant Commissioner, International, Large Business and Investigations Branch, Canada Revenue Agency): I will make just two quick points vis-à-vis offshore. First of all, it's not just the agency's opinion that these matters take longer. The Income Tax Act provides three additional years for the agency to finalize compliance work with respect to transfer pricing, offshore assets and offshore trusts, so the complexity is recognized.

The second thing is that I think we're confusing the burden of proof. When there's a credit claim—whether it's a multinational or a regular taxpayer—the CRA provides 90 days for somebody to substantiate a credit, because the burden of proof is on the taxpayer. When it's an offshore income situation, the burden of proof is on the agency, so in the interests of fairness you actually want the agency to spend more time to get that information, because the burden of proof is on our auditors to substantiate that income should have been paid, and that's why we're taking additional time. I know it can seem like we're giving them a break, but actually more time in the saddle for our auditors is yielding a more appropriate tax reassessment.

• (0915)

The Chair: Thank you, both.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chairman, and thank you to the presenters today.

I have to first of all say how much I appreciate the improved relationship we've had in the north in the last couple of years and the improved communications. I think it's really starting to show in the number of complaints that I've been receiving over the years. The minister stated quite clearly that the process has to be fair and equitable across the country. I think there's a lot of work to be done, and a lot of work has been done. It's my understanding that CRA has recently appointed a chief service officer. How is this appointment going to help in improving fairness at the CRA?

Mr. Bob Hamilton: Yes, indeed, we did earlier this year appoint a chief service officer at the agency and it's a piece of a broader exercise we have to try to improve service at the CRA and to take an approach more centred on the Canadian taxpayer.

I think in the past we have found ourselves sometimes working in silos within the agency. One part is doing something that is not as connected as it should be to another part. We have to recognize that when we provide services to Canadians we're providing a range of services. It could be telephone calls, correspondence, the website, and we need to take an approach that looks at it from the taxpayers' perspective and that we're providing the services we need to. We did name a chief service officer in that regard, and her job is primarily to look at the way we provide service to Canadians, both digitally and by paper, but across the board, so that comprehensively we can say, yes, we're doing things that make sense for the taxpayer.

We're listening to the feedback that they get. We have different channels to get feedback, whether it's public opinion, research, complaints that come in. We make sure that we're listening to that, and then further make sure that we're taking that information and looking for ways to improve, whether it's how we respond to phone calls or the accessibility of our website. That is really what her job is going to be. If I think of it, it's integrating the activities of the agency so that we can better focus on how we can provide services to Canadians better.

Mr. Michael McLeod: The previous government shut down the only office that existed in the north for CRA. I know when I first got elected, there were a number of complaints coming forward. I think it was a real challenge for many people to try to get the attention of the CRA through the process that was in place. I'm happy to see that there's been some progress in the communications and maybe we could talk about that. I really believe that services have to be equivalent right across this country, and that includes the north. There's been some progress.

Can you talk about some of these things? We've had issues with the northern residency deduction. We've had triggers that were calling for audits and some people have been audited over and over again, but things seems to be moving forward. Can you talk about what you're doing in the north?

Mr. Bob Hamilton: Yes, I'm happy to talk about that.

Again, I think as we look at the services that we are providing in Canada... One of the steps we have taken in that regard is in the north, where we're doing, I'd say, three things to try to improve services there.

The first is to provide more access to CRA employees. Putting somebody in an office up there in the north, to answer questions, is something that we are doing. Hopefully, it will help provide better information to taxpayers. What this is all about, and what you'll see in all of our service activities, is trying to better explain to Canadians what is required, what their tax obligations are and how we can make it easier to comply.

We think that providing offices in the north will help in that regard, and we will make CRA people available in those offices. We will be looking to expand the community volunteer program, which goes out to try to help people fill in their taxes. That's one key element.

The second is looking at the northern residents deduction, to see if, as you say, we can uncover any systemic reasons we might be verifying the same people over and over again. We're looking at the

algorithms we use that decide how we test and review certain cases. We're also trying to make sure that we better explain earlier on and have good conversations about what the obligations are under the northern residents deduction.

That's a second place where we're trying to do a better job of communicating, explaining and even looking at our process to see if we can simplify it.

A final area was looking at a regulatory change on the low-cost airfare, just to make sure that we didn't have a system in place that was too hard for people to comply with, where you had to pick the lowest airfare on a particular day to be eligible for it under the program. We're looking at ways to simplify that and advance a regulatory change to that effect.

Those are the pieces that we think will help and hopefully reduce some of complaints we get in the north. It's part of a continuing effort to improve our services.

• (0920)

The Chair: Thank you, both.

Before I go to Mr. Richards, I did have a question in this area of the chief service officer. At our constituency offices—and I assume most members' constituency offices are in the same situation—we'll get where we're the last stop, and we'll get calls from constituents in tears trying to deal with CRA.

There's no front office service anymore. It used to be fine when people went in and were able to sit down with somebody—in my case, in the Charlottetown office—to talk it through and see what they could do. Maybe their bank account's been frozen, and whether for right or for wrong, there is a feeling among many constituents when they're talking to a CRA representative on the phone, after they get through the queue—sometimes they have to wait a long time—that they're treated like a criminal.

There has to be a different attitude in that regard, because then we get the calls and we try to deal with it through our contacts.

I will say that for MPs, most of the time in the contact we have with CRA, they do their best to help us out, and through that, help the constituent. I just want to put that on the table, that there is a problem for constituents in what they feel the attitude of the CRA individual is toward them. They feel like they've been treated like a criminal. It may have been an innocent mistake on their side or it may not, but their bank account may have been frozen or whatever.

I'm just telling you, that is a problem we have to deal with, Commissioner Hamilton. Will the chief service officer help in that regard? Is there any thought of bringing back front-line services at CRA offices?

Mr. Bob Hamilton: Mr. Chair, I think very definitely that the chief service officer will help with the kind of perception you have talked about, which I don't like to hear about, frankly. I don't want people being treated like criminals on phone calls, as a starting point. The conversations may evolve down the road depending on how things go—people have to face the consequences of their actions—but we are very much about changing the culture at CRA, as I've said, to being a service provided to the taxpayer and the client.

What I would like to see us do and what we are doing, and where the chief service officer will help, is focusing more on the conversations about educating both sides of the conversation. For us it's making sure that we're explaining to Canadians what they need to do and why. Sometimes, because we deal with so many people, those can be shortcut conversations. They can be abrupt. We're trying to make sure that they are not, that they are fulsome explanations for people. That takes time and resources, but we need to do that to fulfill our service commitments.

We are also going to be paying attention to the feedback we get—because we hear some of the same things that you hear—and make sure that we listen to it, as I've said, but also to try to factor in what we can do about it, how we can correct those issues.

It's not to say that there will never ever be an issue at the CRA, but we need to make sure that we're correcting as many of them as possible, and that as many people as possible feel like they are being treated fairly and respectfully by the CRA. I would want that to be the case in every single interaction that we have.

When we talk about service culture, though, it isn't just the people picking up the phone and talking to you. That's obviously an important element of service, but we are also trying to embed a service culture within the audit and enforcement activities. Yes, we will ultimately need to make sure that the proper amount of taxes are paid, but we need to go about it in a way that tries to educate first. Let's make sure that there's an understanding and work through it, and that way maybe get some long-term compliance. If people understand the obligations and we understand their situation, hopefully we can get on a path of long-term compliance.

Having said that, if there are still issues, we will have to enforce the law and make sure that the proper taxes are paid, because that too is important, for the perception of fairness by other Canadians.

I'm very confident that the chief service officer is going to help us refocus our efforts to provide better service to Canadians. Some of the changes have started, but I look forward to even more changes down the road.

• (0925)

The Chair: Thank you.

We have Mr. Richards, then Mr. Fragiskatos, and then Mr. Dusseault.

Mr. Richards.

Mr. Blake Richards (Banff—Airdrie, CPC): We've already heard from the Auditor General's report about this very different take that there has been towards different types of taxpayers, from our everyday regular Joe taxpayer to someone with a big offshore account. Given that there are very wide differences in how they are

being treated by Revenue Canada, I want to raise an example that I've raised with your minister and with you before. I'm trying to determine whether this is something that falls in the same vein here.

It's the issue around the small business deduction and eligibility for that, where something is being considered as a specified investment business and then considered ineligible. It's something that has affected campgrounds, and self-storages and other businesses like that. They are being considered as deriving their income solely from the value of the land and rents that come from it rather than from the services that they provide. It's based on the fact that, in many cases, they don't have five full-time, year-round employees. Of course, in the case of campground, they might have far more than that, but not year-round, because we're in a cold winter country.

I want to ask you, when you were given direction by this government to go after tax evaders, is this the kind of person or entity that you were going after?

Mr. Bob Hamilton: No.

Let me start on that, and I might ask Ted to comment on some of the specifics on the compliance activity.

There are two things that we do. Well, there are more than two, but there are at least two things that we do at the agency. We want to uncover tax evasion where people are willfully evading taxes. It could be offshore. It could be domestically. Also, we need to make sure we collect the taxes that are due under the law as it exists right now.

In that case, the campgrounds would be an example of where the law says what shall be done. Our job as administrators is not to redo the law, but to administer that law in the fairest way that we can. Those examples will come up in a whole range of cases. It could be campgrounds, as you have mentioned. It could be some place where expenses are being misallocated between personal and business. There are a number of places where, through our verification and review process, we need to make sure that the taxpayer is complying with the law.

Mr. Blake Richards: Let me interrupt you there. I get what you're saying, that you have to ensure that the law is being complied with. This is something that was identified a number of years ago as being a problem. This was affecting businesses it shouldn't be affecting. That's why, in the 2015 budget, our previous Conservative government put in place a review of these rules to try to determine how this could be improved so that businesses like campgrounds, self-storage facilities and those that shouldn't be affected by it were no longer being affected by it.

Now, that review began, and all but one of the submissions that we received during that review indicated this was an unfair rule and offered that it needed to be changed to no longer have this chilling effect on these legitimate small businesses. Unfortunately, in the 2016 budget, of course the new Liberal government at that time cancelled that review before it was completed.

I wonder if you can tell me what led to the cancellation of that review. Was that something that you recommended?

• (0930)

Mr. Bob Hamilton: I can't really comment on it. I certainly don't think I was there when the review was cancelled, so I have nothing to add on that.

Mr. Blake Richards: You don't know whether the agency made any recommendations about the review, what should be done, whether it should be cancelled or whether it was something that should be proceeded with. Have you no idea what took place with that review or what the results were?

Mr. Bob Hamilton: No, I can't comment on that. The only thing that I would say is that, if I were thinking about a review like that, it would encompass both administrative and policy aspects. To extent that it was looking at the policy side and for a legislative change, it would be something, obviously, that the Department of Finance would be looking at. But I don't have any further information with me. I don't think Ted does either.

Mr. Ted Gallivan: No, I don't think we can respond.

Mr. Blake Richards: There was a review conducted and it was cancelled, but the agency has no idea what took place or what recommendations were made. You have nothing to say about it at all.

Mr. Bob Hamilton: I have nothing. Honestly, I don't know anything about the circumstances of that.

Mr. Blake Richards: I guess it's really unfortunate that the minister chose not to stay for longer than half an hour because, apparently, she would be the one who could address this. Here she is not being accountable. It's another example of why this is a problem. You can't tell us anything about this. There was a review that was put in place. You can't tell us anything about what happened. You can't tell us anything about it or what it recommended. You have no idea. The minister who should be responsible to answer this is no longer here. This is really quite unfortunate.

The Chair: You will be allowed to ask a question in the House, maybe.

Mr. Blake Richards: I have done that a number of times, but I don't get any answers there either, Mr. Chair.

Mr. Bob Hamilton: The only thing I can commit to is to go back and see if there is anything that I can learn, but I would expect that the Minister of Finance would—

Mr. Blake Richards: I would sure appreciate that, if you could. Sorry to interrupt, but if you could, that would be great. If you could provide any information that you can about this review and what took place and what recommendations were given by the agency as a result, to the committee through the clerk, that would be appreciated.

The Chair: Mr. Hamilton could provide them to the clerk.

Mr. Gallivan, did you have something you wanted to add in this whole series?

Mr. Ted Gallivan: I think this issue has been raised before, and we did take a look back. I think the review you're referring to is the review conducted by the Department of Finance on proposed legislative change, so that would be within the purview of the Department of Finance.

To answer your question specifically, no, that wasn't the crackdown. If you look at the OAG report, at exhibit 7.2, when they say they're finding an additional \$3.4 billion a year, that isn't in the small and medium enterprise space. That's with multinationals, GST, large, underground economy, etc., so to answer the question, the extra \$3.4 billion they're finding per year is not in the space that you're concerned about.

The Chair: Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you very much, Mr. Chair.

Thank you to the officials for being here today.

First of all, we keep hearing that the minister didn't stay, that she wasn't here long enough. I think if my colleagues had their way we would be here until Christmas questioning the minister. The minister did not "run for the hills", as my colleague opposite said. She was here. She answered questions and then went to a cabinet meeting. I think you could do worse in life, Mr. Chair. If anyone wants an example of a minister running for the hills, I would remind my colleagues of Julian Fantino, but I know they don't want to go down that road. Let's be honest with ourselves.

A voice: Down that hallway...

Mr. Peter Fragiskatos: Down that hallway, that's very good.

Turning to the officials, in looking at the Auditor General's report, we do see that there are some problems, which I hope will be worked on. First of all, the Auditor General reports that there has been inconsistent time given to taxpayers to respond to requests for information when audits take place. Particularly, there are differences between those earning employment income versus large businesses. What is the response of the CRA going forward on this? How will this problem be addressed?

Mr. Bob Hamilton: As we touched on elements of this earlier, I think our response is both to recognize the different circumstances of an individual with employment income, relative to a small business and relative to a large business. As my colleague indicated, we may need different rules in place to get to the right result in all of those cases.

However, we do take the point that the Auditor General raised that maybe we need to review our guidance, our rules and our operating procedures, at the top end, in terms of the multinationals offshore. Should we have better rules to give us more strength to compel information to come forward earlier? Then at the low end, as I said, for people on employment income and regular-type taxpayers, we need to make sure that we are opening up the opportunity, if there's special circumstances or if people call us, that we're showing the flexibility to extend the rule where it's necessary. Essentially, we think that the Auditor General raised a valid point that we are going to look at and try to solve, within the context of all the different taxpayers that we deal with.

● (0935)

Mr. Peter Fragiskatos: Thank you very much.

If I can follow that up with a question on audit completion times, variations when it comes to particular regions and other issues. I did want to ask a question about international and large businesses, regarding how audits completed in some regions are done much quicker than others. In fact, there's a discrepancy of about 150 days from one region, in the best-case scenario, to another region, in the worst-case scenario.

Could you tell me how the CRA plans to respond to that problem?

Mr. Bob Hamilton: Another area that we've committed to look at are the regional discrepancies. As we look at it, I guess the only thing that I would say is that we do need to keep in mind that the regions can have different workloads that they work on. You might have different sectors at play there that might require more or less time. When you compare across regions, we do need to think about the differences in that region, so in some cases at the CRA, we will take a workload and put it in a particular region, which could have an impact on their statistics.

All of that to say, we are concerned about consistency. We want to make sure that we leave room for people to make judgments about how to best proceed, but that has to be done within a framework that tries to get the maximum amount of consistency across the country. I would just caution to say that consistency doesn't mean necessarily that each region has exactly the same number because they might be dealing with different circumstances.

The point is taken and we've committed to do a review of what we see regionally to see if there's something that we need to fix up.

Sorry. Did you have another question?

Mr. Peter Fragiskatos: I do. As you know, a key finding in the report was that CRA waived interest and penalties for some taxpayers, but didn't for others. Why was that the case and what will be done to address this?

Mr. Bob Hamilton: In that case, there is one thing that's important to recognize and I will ask Ted to comment on this one. There are two ways that we provide relief. People can request it of the CRA and we look at that. The other is proactive relief, where we look and we see whether we took too much time. Some particular situations occur where we think proactively that we want to provide that relief.

Again, that is an area where we've committed, within the response to the Auditor General, to look at our rules, for example, what

constitutes an undue delay, where we might think that we took too long, so that we take a compensatory action for the taxpayer.

The Auditor General's report mentions that we may not be consistent in how we apply that across the board. We may not have clear enough guidelines for our employees. That's an area that we're looking at to see if there is some improvement, but I will ask Ted to comment in this space as well.

The Chair: Please respond fairly quickly, if you can.

Mr. Ted Gallivan: To help you understand that, when a human auditor is assigned to your file, there's a greater likelihood of an agency delay. We proactively consider taxpayer relief in those cases. When it's a more automated interaction, like a system generated letter, we hadn't turned our mind to how to do that because the incidence was much lower. However, as the OAG pointed out, in the interest of fairness and even if there's not a human being assigned, we should turn our minds to how we might offer proactive relief when there are delays on that side. We've committed to take a look at that.

The Chair: Thank you.

Mr. Dusseault, you have five minutes.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I'd like to look at the second part of the report, which was the subject of my last two questions for the minister, that is to say, managing and reporting on results, two extremely deficient areas within the Canada Revenue Agency.

My impression is that the Minister of National Revenue had three figures imprinted on her memory: \$1 billion, \$25 billion and 78 convictions. The people at her office asked her to remember the figures 1, 25 and 78, and she has constantly repeated them: we've invested \$1 billion, we're going to recover \$25 billion, and we've obtained 78 convictions to date. She has repeated the figures learned by rote.

We realize from the Auditor General's report that those figures may mislead some people because they're not really true. The methodology used to arrive at those figures isn't that good, particularly regarding the \$25 billion figure, which is problematic. That was the subject of my first question.

However, given the time I have left, I'd like to talk about convictions first. Earlier the minister told us that \$1 billion had been invested in the plan and that it was working. I asked her questions about offshore tax evasion.

If the plan's working, how many convictions have there been for offshore tax evasion in the past three years, since the Liberals came to power?

● (0940)

Mr. Bob Hamilton: I'll give you part of the answer, and then I'll ask Mr. Gallivan to give you the rest.

With respect to the first part of the question, I think the methodology used to calculate the revenues we can recover is correct, but the Auditor General noted one point. It's right to say that these are the revenues we'll recover as a result of our audits, but other variables must be considered. We have to take into consideration notices of objection that may be filed, legal proceedings that may be instituted and potential problems that may be involved in recovering certain amounts of tax.

So we've committed to conducting a study simply to supplement the information and perhaps to present slightly different figures that cover all the steps. However, it's true that we use revenues generated from audits for the Department of Finance and the Treasury Board. That's valid and important, but it's interesting to see that other steps have to be considered. Perhaps that'll give you a better idea of the total revenues generated from audits and after consideration of the other steps.

I'm going to turn the floor over to Mr. Gallivan.

Mr. Ted Gallivan: You asked a question about convictions. I think that can be explained in large part by the fact that you have to wait for the right time. In 2012, the agency decided to focus on more delicate cases. I'm not talking about cases involving offshore activities, but rather more serious cases. In the meantime, the average penalty on conviction increased from \$130,000 to \$1.6 million. Penalties on conviction last year were almost 10 times more than previously.

More recently, we decided to put the emphasis on overseas activities, and we're now focusing on 50 open cases. These aren't old cases. We're at the search warrant stage, for example. We've issued news releases to announce that, in several of those cases, and even in cases related to the Panama Papers, we're already at the search stage. However, we're not currently talking about convictions for overseas activities because it's not yet time for that. These are cases that take five, six or seven years to complete.

So, as regards the status of those cases, we're more likely talking about 50 ongoing cases. They represent nearly one third of our current volume, which wasn't previously the case. Consequently, we have 50 mature cases currently under investigation.

Mr. Pierre-Luc Dusseault: So the short answer is zero.

Mr. Ted Gallivan: It's not zero.

Mr. Pierre-Luc Dusseault: How many is it if isn't zero?

Mr. Ted Gallivan: The figures that show the direction we've asked our criminal investigation teams to take are readily apparent from our caseload: one third of our cases involve offshore activities.

We agree this should be a priority. We've made it a priority. However, you're right: we don't have 50 convictions.

Mr. Pierre-Luc Dusseault: You say it's not zero. How many convictions for foreign tax evasion have there been?

Mr. Ted Gallivan: Once again...

Mr. Pierre-Luc Dusseault: Has it been one, two, three?

Mr. Ted Gallivan: First, we don't clearly define what does or doesn't constitute an offshore activity. So I don't want to play with figures and say it's six, for example, and then have you tell me instead that it's four. Let's agree that a lot of investigations are under way but that there haven't been a lot of convictions to date. That's entirely normal for the stage we're at.

[English]

The Chair: We'll have to end it there. We're a little over the time.

We have time for one question from Ms. Ludwig and then we'll have to wrap up.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you, Mr. Chair, and thanks to both of you for being here this morning.

My first question—if I can squeeze in two—is for you, Mr. Hamilton. In your brief, you mentioned education and communication with taxpayers to achieve long-term compliance. Can you explain to us what that platform might look like in terms of how to raise awareness?

The Chair: That was my mistake, Karen. We're going until a quarter after 10, not a quarter to 10, so you have your five minutes.

● (0945)

Ms. Karen Ludwig: I'll be splitting my time. Thank you.

The Chair: Go ahead, Mr. Hamilton.

Mr. Bob Hamilton: Yes. I think this is quite important, so it's useful to understand.

Probably the best example we have of what we're trying to achieve is our liaison officer initiative. For new small businesses, we send out someone just to explain their obligations under the tax system and what they need to do. We will send out an officer to have that conversation with the new business. Our hope in doing that—and we are seeing success—is that we can start from a base of wanting to comply and knowing how to comply and then can build.

Over time, we should have fewer problems if we get off on the right foot, as opposed to a world of saying, “Okay, small business, you go and figure it out and we’ll come in later and tell you how you did.” We will still have to audit and verify, but we’re putting more emphasis on that beginning part of the conversation. Again, our hope is that it will foster good knowledge, good habits and good compliance in the long run. We’re trying to apply that in a whole bunch of areas.

Also, can we have some conversations up front with people to help explain what’s going on? It could be on the benefit side, but in this case, the liaison officer initiative is probably our best example. As we look at our processes, where we see that something might be going wrong out there, where people are doing things that aren’t appropriate within the law—it could be inadvertent—we are also trying to see if we can have a process of just trying to make sure we talk to them, that there’s good understanding and that we understand before we come in with an audit.

That’s a general description of the approach we’re taking. The liaison officer initiative is probably the best example.

Ms. Karen Ludwig: Thank you very much, Mr. Hamilton.

You mentioned going directly to small businesses. Certainly, as small business owners, we’re well aware in our house of how busy the week is from Monday all the way through to Sunday. Is there any involvement with the platform in reaching out directly to the boards of trade, the chambers of commerce or the industry associations to prepare them with the information so that they could actually help their members in fielding questions?

Mr. Bob Hamilton: Certainly, if we look at our outreach and the partners we have, we have a very active dialogue with organizations such as the certified accountants—the CPA—and with chambers of commerce and others. We really need that to be able to communicate our message effectively. We can do an okay job at the agency, but those partners have networks, and if we can get the information to them, they can more efficiently disseminate it among their constituents or their members. That’s very much a part of it. The liaison officer initiative is a pilot of something specific that we’re trying, but that’s against a backdrop of a lot of conversations with businesses.

We also are just finishing our “Serving You Better” consultations, in which we go out and talk to communities and businesses about their ideas on how we can improve the tax administration for them. It was very successful. The last one we ran was in 2016 and led to a number of changes. We’re out again looking for that. Again, we’re hoping to do more and more of this outreach and hearing what people are telling us about their questions about administering the tax system and their suggestions for us on how to improve.

Ms. Karen Ludwig: Thank you.

The Chair: Thank you. We’ll go to Mr. Kelly and then back to Mr. Fergus.

Mr. Kelly.

Mr. Pat Kelly: Thank you, Mr. Chair.

Mr. Hamilton, I want to return to something that we discussed at the public accounts committee yesterday. I would have liked to have

time to get the minister on this. As we know, that didn’t happen this morning.

The Auditor General raised serious concerns about how the additional money is being spent by the agency. The Auditor General found that the agency could not track amounts of additional revenues resulting from their new funding. In other words, they couldn’t find evidence that the additional funding your agency has received from this government has resulted in higher revenues—that it can’t be measured or calculated.

Canadians need to have confidence that their money is being spent properly. The Auditor General raised concerns about this. Why can’t we tell if the money you’ve received has actually made a difference in the amount of tax that you have found and collected?

● (0950)

Mr. Bob Hamilton: Mr. Chair, again I’ll start on a response, but I note that Ted, based on our conversation yesterday, will be able to elaborate.

There are two issues that I want to clarify before turning it over. One is whether we can account for the additional money we got and how we’re spending it.

Absolutely we can. It’s clear how much we’ve spent and where we’ve spent it, whether it’s on hiring new auditors, investing in IT or investing in different analytics to give us a better risk-based assessment. That’s one part. Yes, we can identify where we’re spending the money.

The second part, which I think is what you’re raising, is what good it is doing: how much extra money it’s bringing in and what the incremental impact of having spent that additional dollar is, wherever we have spent it, upon the revenue we brought in.

Again, we have a methodology that I think does a good job. We have committed to looking at whether we could improve that methodology, but I’ll let Ted explain a little bit about how we calculate that incremental benefit.

Mr. Ted Gallivan: The OAG, going back to exhibit 7.2, confirms that we were more than \$3 billion ahead of plan.

In other words, the expectation was that we would be at \$8.2 billion, and we’re \$3.4 billion or \$3.6 billion better than that. The concern is thus not whether we are meeting or exceeding expectations, because we’re exceeding them. It’s to what extent you attribute that situation to additional resources.

Here the issue is that some of those resources went to IT: \$60 million for IT builds. Some is additional data. We're getting country by country reports, and we have about 5% more boots on the ground. The issue, then, between the agency's current approach and what the OAG is saying—what we need to find, going forward—is whether we take 5% of our resources and put a different T-shirt on them and say, “You're the incremental resources, and everything you do goes into the incremental bucket, and the other 95% goes over here,” or just say that if we have 5% more, then 5% of the results are attributed to that 5%.

We did the T-shirt model for two years and found that we were spending a lot of time, which could be used pursuing tax issues, on counting and deciding who's wearing what T-shirt. We therefore went to the ratio approach. The OAG has raised concerns with it. We've agreed to take a look at it.

Again, going back to our response, our methodology has been vetted with TBS and the Department of Finance, so the key stakeholders—internally, at least—were comfortable with it. We understand, however, that transparency is important, so in our action plan we will look for a better way to make it clear to all Canadians that yes, we are exceeding those expectations.

Mr. Pat Kelly: We have heard that more compliance reviews and more audits have taken place, but we've heard, through both media accounts and activity that I think all MPs have experienced in their constituency offices, about parents who have struggled to comply with benefit reviews. We know the debacle over type 1 diabetics. We've heard many comments.... In fact, we even heard one yesterday at public accounts—a horrific story coming from parents of autistic children. These aren't the types of activities that I think most Canadians have in mind when they are demanding that all people pay the amount of tax that is owing, and exactly that amount, not more and not less.

Can you comment on what you are doing now to address some of these concerns, particularly about the benefit reviews of single parents, because this is ongoing?

I'll let you address that, please.

Mr. Ted Gallivan: Definitely we need to do better. I'll just start with some context, though.

The branch I lead, international large business, is about \$8 billion of the annual lead, from about 5,000 audits. It's a very small focus. Regular Canadians, the T4 filers we talk about, account for about \$2 billion of this audit yield.

Almost four times as much, then, is coming from the proverbial one per cent, and \$2 billion is coming from 26 or 27 million Canadians. Already in our audit yield, then, you can see that disproportionately the funds are coming from sophisticated taxpayers.

When we deal with regular taxpayers, though, we are focused on better education. When we find a taxpayer making a discrepancy or an error, as we talked about with northern residents, we're trying to ask ourselves how we can clarify the guide, how we can work with software developers to give people a prompt to see that they don't make that mistake.

We talked about the liaison officer initiative. We talked about outreach. We talked about stakeholders, and instead of just talking to professional accountants, talking to bookkeeping associations, I think very much that in that high-volume, low-dollar space, the agency is trying to find ways to help people get it right from the start.

• (0955)

The Chair: Did you have a supplementary there, Pat? Okay, you didn't.

Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you, Mr. Chair.

Thank you for being with us, Commissioner.

In his report, the Auditor General evaluated the effectiveness of the voluntary disclosures program but didn't complete his analysis because the rules were changed along the way.

Would you please give us some details on the rules that were changed?

Mr. Bob Hamilton: It's true that we changed the rules of the voluntary disclosures program. Generally speaking, the purpose of the changes was to solve certain problems associated with the program. The program is still one of the tools we use, but we felt it was necessary to tighten up the rules slightly and make some improvements.

The Auditor General did mention that the program rules had changed. I'm going to let Mr. Gallivan explain those changes to you.

[*English*]

Mr. Ted Gallivan: Consistent with some of their remarks we've had today, we think that, for regular taxpayers who make a mistake—or there could be a spouse who passes away, and the other spouse wasn't aware of what was taking place financially—we wanted to keep that open. Those regular Canadians continue to avail themselves of a voluntary disclosure program.

For sophisticated taxpayers, taxpayers who pay money for accountants or lawyers to structure their affairs to really minimize their tax bill, we thought probably not. That's probably not who we need to be giving strong financial incentives or discounts to come in. We're increasingly confident of finding them on our own.

Because we have much better line of sight into aggressive tax planning, cash flows internationally from Canada and other countries—we now have line of sight into worldwide banking information—we were confident enough to severely restrict the voluntary disclosure programs for sophisticated taxpayers. We've not fully closed it yet, because the proof is in the pudding in terms of the outcomes as to whether we're able to take those leads into audits and successful criminal convictions, as we talked about before. I think we're sending a message, too, that you can't engage in sophisticated tax planning, and then, when you worry the CRA is close, come in and get a sweetheart deal. That's part of the tightening of the program.

A final point is that we're being a little more mindful about obtaining the name of the practitioner, the accountant or the lawyer who set up the tax planning initially, because it is our intention to go find every single other participant. We have a legal tool called an unnamed persons requirement. We go to court and we find out the names of other participants in tax plans and schemes. That's something we plan to do as well.

Mr. Bob Hamilton: A piece of backdrop to add to that is, when we look at the voluntary disclosure program, we do need to think of it in the context of everything else that we're doing globally. Ted and I are involved in some work at the OECD that is really increasing the amount of information that we're sharing with other tax jurisdictions. As we get better and better at that as a group of countries, and we get more information, the need for the kind of information that comes through the voluntary disclosure program can be reduced, because they come, and we already have the information because we've been sharing it.

It's a work in progress still. There is more improvement, but as we look at that program, we do need to think about it in the context of the improvements we're making within information sharing globally.

[*Translation*]

Mr. Greg Fergus: Has the agency encouraged professional associations, auditors in particular, to develop codes of conduct to promote certain practices rather than test the limits? Aggressive tax planning comes to mind here. I'd like to know whether those professional associations have codes of conduct or want to establish them in order to provide their clients with good advice.

•(1000)

Mr. Ted Gallivan: The association that represents professional accountants in Canada has a code of ethics. That document has just been updated. The code is included in the basic training given to accountants. It's a focal point in continuing training.

We also have the option of imposing administrative penalties on third parties. Last year, we levied fines totalling \$48 million on professionals who had been involved in aggressive or negligent tax planning.

As for efforts that have been made, the accountants association offers this training, but we also have a method designed to encourage appropriate behaviour via penalties assessed on third parties.

Mr. Greg Fergus: Thank you.

[*English*]

The Chair: Thank you, all.

We will go to Mr. Richards for five minutes, Mr. Dusseault for three minutes, and then end with Mr. Sorbara.

Before I do that, though, do you hear at the top of the organization about lost documentation? I don't know about your offices and the rest of the MPs' offices, but we hear too often that documents are sent in, not always tax documents but sometimes a marriage certificate or something else, and when they call CRA they don't have it. They send another one in. I've seen it three times.

Do those kinds of statistics reach your office?

Mr. Bob Hamilton: Yes, I do hear those complaints. People have access to me and can give me their complaints as much as anybody.

On that particular issue, it's always disturbing to me to find out that something might have gone wrong within the agency in dealing with the taxpayer. We do try to correct those as quickly as we can. In the cases that have come to my attention, it may not be a case of a lost document, but it goes back to an issue I raised earlier, which is working in silos. In the area of lost documents, I might send a document into the CRA, somebody gets it, and then, in having a conversation with another part of the CRA, they don't have access to that document.

That's one of the things we're looking at. As I described, it's part of a more integrated approach, thinking about it from the taxpayers' perspective. Can we make sure that conversation is with one agency as opposed to different parts of the agency?

I will say that some things that have been put in place are over valid concerns about making sure that people have access to only the information they need to have access to, but I do think we might have gone too far in drawing those lines between people. We can free them up a little bit, still protect privacy, confidentiality and integrity, but have an ability for somebody to really have access to all the information that I've sent in, in my example, and fix my problem. That, again, I think goes to looking at it from the taxpayers' perspective rather than ours.

Yes, I do have those questions. We do try to track them down as best we can, figure out what went wrong and fix it, but some of the cases that have been referred to me are that silo issue.

The Chair: Thank you very much for that explanation, Commissioner.

Mr. Richards.

Mr. Blake Richards: Thank you.

Let's return to this issue of the Canada Revenue Agency essentially telling some small businesses that they are too small to be a small business. Of course, this is the issue we discussed earlier. When I've asked about this issue in the past, to the revenue minister who is no longer here, I've been told nothing's changed. It's all the same as it has always been.

We all know that's not true. In fact, an interpretation bulletin was put out. That bulletin has since caused the reassessment going back a number of years, in some cases, of a number of small private campgrounds. It has, unfortunately, put some of these small, private campgrounds right out of business because of the expense of going back through several years of taxation and, of course, the legal expenses that go with trying to fight the revenue agency. This is obviously quite concerning.

Because of this review being cancelled, because of this interpretation bulletin being put out, and the fact that we have seen, in fact, the Canada Revenue Agency go after some of these small private campgrounds, can you give us any sense of how many small businesses have been or will be affected by this interpretation change and the cancellation of this review? How many businesses will be ineligible for the small business tax deduction as a result?

• (1005)

Mr. Bob Hamilton: I don't have those numbers with me in terms of the number of businesses. I can certainly undertake to find them and send them to the committee afterwards.

Mr. Blake Richards: You're making decisions and putting out interpretation bulletins without having any sense as to the impact of those decisions and those interpretation bulletins: how many taxpayers this will affect, how many small businesses are going to be told that they're too small to be a small business. You have no idea what the response to that is.

Certainly, we will be glad to take the information, and I would ask that you please do get that to our clerk. However, I find it incredibly troubling that you do not have any idea of what the impact of a decision like that would be. I believe some of these campgrounds are currently challenging the Canada Revenue Agency in court. If they're not successful in challenging that—and I certainly hope they will be successful because it's despicable to me that this is the kind of thing we're doing here—how many other models of business will the Canada Revenue Agency go after?

Obviously, what we're talking about here are small private campgrounds, and they're basically being affected for the most part because they're seasonal in nature. There are a lot of other businesses, similar types of businesses to campgrounds, that are also seasonal in nature. Will you be going after them, too, if this is successful? What other types of business models do you see as potentially being impacted here?

Mr. Bob Hamilton: Mr. Chair, just to correct the record, I'm not saying that the people who did the review didn't understand the number. I'm just saying that I didn't happen to bring those numbers here with me to this meeting. I'm happy to go back and research it.

Mr. Blake Richards: I appreciate that. If you could get that to the clerk....

Mr. Bob Hamilton: Frankly, I don't find it surprising that I don't carry all of that information around in my head. I wasn't expecting to comment on it today. I'm happy to go back and look at that.

I think that, just on this issue, the important thing for us at the agency is to make sure that we're administering the law as it is intended to be. That's what we will always try to do and look for. In this case, I would be happy to look and make sure that this is what we're doing.

Also, just back to our earlier discussion, we are trying to make sure that we have good communication with the people involved so that it's clear what's happening. Even if somebody doesn't like the way that the law unfolds, we do have an obligation, I think, to explain what we're doing and why.

I will try to find the information that you've requested and get back to you.

Mr. Blake Richards: Thank you.

The Chair: Mr. Dusseault, you have three minutes.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

Pardon me, but I have to point out the Conservatives' hypocrisy on this issue. I would note that the audit covered the period from April 1st, 2013 to March 31, 2018. They're very angry about the report's findings, but they governed for three of the six years in the audit period. I'm somewhat surprised to see the Conservatives' reaction to the report.

I'm going to go back to the substantive issues and ask a question concerning paragraph 7.39, which is probably the one that startled me the most. It concerns relief offered to taxpayers. Paragraph 7.38 states that individuals like you and I who complete a T4 are offered little or no relief. In fact, they aren't treated in the same way as small and medium-sized enterprises, the international sector, large businesses or taxpayers who conduct offshore transactions, who are offered relief, as stated in paragraph 7.39: "In those cases, the Agency required its auditors to consider offering relief without taxpayer requests." I emphasize the word "required". That's the paragraph that startled me most, Mr. Chair.

So the agency proactively offers relief to taxpayers who might be in default, or at least who are being audited by the agency, when they haven't even requested it. A taxpayer might want to defend himself and reject that relief, saying that he's done everything correctly and doesn't need his notice of assessment amended.

How can you explain why the agency offers relief without taxpayers even requesting it? Would that be related to the KPMG case, by any chance? Did the agency do the same thing in the KPMG case? Some of the people listening to us will remember that case. Taxpayers were caught in a dubious tax arrangement, and the agency sent them a letter stating that, if they acknowledged the facts, it would grant them relief and, after fees were paid, close the case.

Is it still common practice for the Canada Revenue Agency to grant relief to persons who don't even request it?

• (1010)

Mr. Ted Gallivan: I'm going to raise two points in response to your question.

First of all, at the time of the OAG's audit, we hadn't considered the possibility of offering relief to ordinary taxpayers selected by computer for audit where the agency was responsible for processing delays. In our experience, there are few processing delays at the agency, and few taxpayers request relief in those circumstances. That's why we hadn't paid any attention to the issue. However, as we stated in the action plan, we made a commitment to do so, and we're going to determine whether we can provide the same level of service. The fact remains that, to date, we haven't seen why that might be necessary.

As for audits, the agency accepts responsibility for delays it may have caused. I'm talking here about all audits in which an auditor is assigned to a case. An auditor may have left the agency, thus causing a delay of several months before the case is assigned to someone else. In complex cases, we may seek a legal opinion and may have to accept court delays of six or seven months. If we're seeking \$1 million in interest from a taxpayer, and a portion of that amount is attributable to delays incurred by the agency, the taxpayer brings the matter to our attention. It's true that, instead of waiting for the request to be made, we ask our auditors to determine whether any delays have been caused by the agency and, where applicable, to grant the taxpayer relief in respect of a portion of the interest to compensate for the delays for which the government or the agency is responsible.

[English]

The Chair: Thank you, all.

We have about three minutes, Mr. Sorbara, and then we'll have to adjourn.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

Welcome again, gentlemen.

First of all, thank you to the team for putting together the CRA detailed action plan in response to the fall 2018 report from the Auditor General. On report recommendation 7.58, following up on the voluntary disclosures program, could you provide some colour as to where you would like this program to go? It has always been my view that when we encourage people to come forward, it's a good thing. It saves resources and it saves time. We want individuals to continue to do that because it increases our compliance rate.

Mr. Bob Hamilton: I'll start, but Ted may want to augment what I say about the voluntary disclosures program.

We spoke about this earlier, and the point I made is that as we look at this program, we're going to try to do two things. First, as we've committed in the action plan, we're going to look back to see what has happened in those cases where there have been voluntary disclosures. Do people remain in compliance? We have committed to look back to review how the program has been operating and what has happened. Second, looking forward, we also have a commitment to see if it is generating the kinds of results that we want going forward with greater co-operation and information sharing, in particular in light of what we're seeing internationally.

That's why I raised that point earlier. If we look at it going ahead, the voluntary disclosure program is a piece of the compliance puzzle. It occupied a certain place before and we want to see how it's going and what the results have been, but it may also be occupying a

different place in the future as other things evolve and we get access to better information.

The first part is what's underlying the Auditor General's report. How can we do a better job of looking back to see what we have learned from the program? What has it done? Are people having the same behaviours and reactions as we thought?

Ted, I don't know if there's anything you want to add.

• (1015)

Mr. Ted Gallivan: I'd also come back to this question of discretion. The act provides the minister to exercise discretion, and she delegates it to officials. I think in the past, we were processing these requests without exercising that discretion and looking to put the taxpayer at the centre of it to ask, is this taxpayer in line with the principles of the VDP, or is this taxpayer trying to take a shortcut to get a discount on their tax bill? We're going to be applying that judgment more so going forward.

Mr. Francesco Sorbara: I have a quick follow-up, Chair.

The way I view the time limits for audit workloads is that corporate structures are becoming more complex. There's the issue of transfer pricing, and then there's the issue of whether we're getting the proper resources to get the audit done in the time involved. Much like in accounting where you have a set of principles, rather than sometimes hard regulatory standards, I would like to see some flexibility in the time periods for audits to get it done right. I'm not saying for years and years, but providing the flexibility to CRA to ensure they have their resources, but also the flexibility in undertaking an exhaustive audit that they can sign off on and be confident in.

Mr. Bob Hamilton: I have just a very quick response to make.

I think you're right that as we look at responding to all of these recommendations, we have to strike a balance, in a sense, in a number of cases. We do need to leave room for discretion in order to make sure we get to the right result. At the same time, I think we did take something away from the Auditor General's report, that maybe there are some principles, some guidelines, some parameters that we can set around time limits that can be helpful to our people. Hopefully, we won't go so far as to make them overly restrictive so that we can't get to the right result because of the imposed timelines. It is really trying to strike that balance, which is what we'll be doing as we take this issue further.

The Chair: Thank you.

I would remind the commissioner and vice-commissioner that the committee did table in the House yesterday its pre-budget consultations in advance of the 2019 budget. There are 99 recommendations in there, and a number of them apply to CRA. In fact, I will be writing to the minister on the ones that do apply. That report is available for your consideration.

With that, this will be the last committee meeting for this calendar year. It being Christmas, I want to thank all of the committee members, the people who work the booths, the analysts, the clerks, the mike switchers, and everyone else who assisted the committee during this year. Thank you, and Merry Christmas and a happy new year to all.

With that, the meeting is adjourned.

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