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—
Chair

Mr. Brian Pallister

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• (1705)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome back, committee members. Welcome to our guests today from the Canada Revenue Agency. Thank you for being here.

The orders of the day are, pursuant to Standing Order 108(2) and section 89 of the Canada Revenue Agency Act, statutory review of the act.

We will begin with a presentation, I believe, by Mr. Dorais.

Mr. Dorais, would you like to proceed?

Mr. Michel Dorais (Commissioner, Canada Revenue Agency): Thank you very much, Mr. Chair.

Let me briefly, for the benefit of the committee, introduce the colleagues who are with me today.

There's Mr. Bill Baker, who has just recently been appointed the deputy commissioner and chief operating officer of the Canada Revenue Agency; Jim Ralston, who the committee knows is the chief financial officer of the agency; Stephen O'Connor, who is assistant commissioner for corporate strategy and business development; and Lysanne Gauvin, who is assistant commissioner for human resources for the agency. We've got other staff in the room to try to answer all the questions of the committee.

With your permission, I have a quick statement. Thank you for inviting us.

The report we've tabled, which I think you have in front of you—it has been distributed—was prepared by the CRA and was first tabled in the committee just a little over a year ago, so we're re-tableting it now.

Six years ago, Parliament launched a major experiment in public sector governance. New legislation created an agency with unique characteristics designed to merge the best of what public and private sector governance had to offer.

[Translation]

Parliament's reason for passing the Canada Customs and Revenue Agency Act in 1999 was to give the Agency the means to pursue three key objectives: provide superior service to Canadians; work more efficiently and effectively internally; and develop closer partnerships with the provinces and territories.

What can now be observed is that the CRA has matured into a truly pan-Canadian organization, able to better serve all taxpayers by

improving revenue collection and by eliminating unnecessary overlap between jurisdictions. It is also clear that five years is a short time to assess major changes in governance.

[English]

Overall, agency management recommended a year ago that members of Parliament take note of the progress outlined in the five-year report and consider allowing this experiment to be pursued and explored fully for at least another five years.

The key characteristics of the agency's governance regime are: a board of management, responsible for human resources, procurement, real estate, and the administration of the agency, and this board is composed, by law, of individuals from the private sector, the majority of whom are nominated by the provinces and territories; the Minister of National Revenue, responsible for program legislation administered by the agency, and with whom our government clients can work at the political level; a commissioner, or chief executive officer, responsible for ensuring day-to-day management of the agency, under the board's guidance; and a strengthened accountability regime arising from the fact that the agency is entrusted with taxpayer money on behalf of many governments in Canada.

Like all departments and agencies, CRA is required to prepare reports on plans and priorities as well as performance reports. However, it must submit two additional documents: a corporate business plan and an annual report. The board of management's input is reflected in our three-year corporate business plan, which details the agency's objectives and strategies to achieve them.

The reliability of CRA's performance is, uniquely, also subject to reviews by the Office of the Auditor General, named in the legislation as the agency's auditor.

To provide some context for committee members, I'd like to highlight a few statistics that describe the agency and its work. We have 43,300 employees. We collect over \$305 billion annually on behalf of federal, provincial, territorial, and several first nations governments. We distribute nearly \$12 billion worth of benefits and credit payments to more than 11 million eligible Canadians. Finally, we administer 190 programs for 126 clients. We are recognized as a world leader with respect to innovations such as electronic filing and government online.

There is still work to be done in many areas. The transformation ordered by Parliament six years ago is very far-reaching and very complex. It must be done while maintaining the integrity of the federal and provincial tax bases. In areas such as tax compliance, collection, staffing and recourse, real estate, or board of management governance, we're still at work bringing significant improvements.

[Translation]

The organizational changes and accountability mechanisms have enabled us to make significant achievements in regard to all of our priority objectives. As the report has demonstrated, Canadians are now receiving better, faster and higher quality tax and benefit administration.

• (1710)

[English]

In the first five years of our mandate from Parliament, we built a strong and mature organization that is a leader in the public service. Our success to date indicates that our model is sound and that we're capable of taking more responsibility from governments.

So on that, Mr. Chairman, I welcome the questions of the committee.

The Chair: Thank you for your presentation, Monsieur Dorais.

We'll begin with Mr. McKay, for seven minutes, sir.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, witnesses.

Mr. Dorais, the Library of Parliament estimates that something in the order of 15% of the economic activity in this country is actually underground, and therefore there are no tax revenues generated—according to their statistics, at least. I think the Auditor General estimated it's something in the order of a \$12 billion loss in tax revenue. Those seem to be actually older statistics.

I wonder whether you have within your ability to tell us what you estimate the underground economy to be, what you estimate the tax loss from the underground economy to be. Has the shift from being a department to an agency made any difference in that particular issue?

Finally, with respect to the GST, the argument is that there is a correlation, that a consumption tax actually drives up an underground economy. It's anticipated, of course, that on July 1 the GST will come down; the consumption tax will come down. Have you any studies to possibly support the notion that the underground economy will become above ground by virtue of the reduction in the GST in particular?

Mr. Michel Dorais: I'll defer to some of my expert colleagues for the last part, about the consumption tax and its possible effect on the underground economy.

The question the member asks relating to the tax gap is an issue that has been discussed a long time in the agency: how much is not collected, and how much is hidden somewhere in there?

Years ago, purposely, the agency and previously the revenue department decided not to invest major money in trying to estimate the tax gap. The reason for that is very simple: you have almost as many theories as you have people who study this area. People

figured that you could sink an enormous amount of money into it and come up with a number that just about anybody could challenge.

We know it exists, and I think we accept the fact that it is a major problem. Our strategies have always been to go sector by sector and take initiatives to get at various aspects of the underground economy. Some of the activities we've taken in the construction industry are an example of that. The minister has just asked us to review that very carefully in view of seeing if we can expand that to a broader concept of the underground economy in the larger sector. We're looking into that.

So I think we've developed a constant pressure on the underground economy, and we are making gains every year, but we have not conducted huge studies to determine what that amount could be. I think we can accept that the estimates that have been made—I can't remember exactly which ones they are—vary from about 4% to 15%.

Hon. John McKay: Do you challenge the Library of Parliament's figures?

Mr. Michel Dorais: No, I have no information to challenge those.

Hon. John McKay: If we go with the assumption that it's correct, then how would the Auditor General arrive at the notion that \$12 billion is lost revenue on an annual basis?

Mr. Michel Dorais: Jim, can you help me on this? I'm not familiar with the methodology she used.

Mr. William Baker (Deputy Commissioner and Chief Operating Officer, Canada Revenue Agency): With permission, Mr. Chair, we'd ask John Kowalski, the acting deputy assistant commissioner of compliance programs, with responsibility for the underground economy, to answer this question.

Mr. John Kowalski (Deputy Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency): My understanding is that in conducting her 1999 report on the underground economy, the Auditor General reviewed all of the studies over about a 17-year time span. In reviewing all those studies, she found the estimates, as the commissioner mentioned, ranging anywhere from around 3% to around 20%. It was determined that these estimates varied widely because of the different definitions of the underground economy, the different methodologies they used, and the different underlying assumptions they employed in doing their studies.

In their review, they estimated that a reasonable range—and these are the words, if I remember correctly, from the report itself—was 4.2% to 4.5%, which you correctly noted was about \$12 billion. About \$7 billion of that was federal and about \$5 billion was provincial. They also noted that this was similar to a Statistics Canada study that was done just prior to that, which I believe had come up with an estimate of about 4.2%.

•(1715)

Hon. John McKay: So it's a bit of a "pin the tail on the donkey" exercise. Well, there's no real point in pursuing that.

What about the GST? What's the issue on GST?

Mr. Michel Dorais: Do you know, John, if there's any study that establishes a correlation between the various GST rates and the underground economy?

Mr. John Kowalski: There are certainly different theories and conjectures about the relationship between GST and the underground economy. Many academics have noted that in their belief the underground economy increased at the point in time when the GST was introduced. I don't know of anything definitive that would establish a causal relationship between one and the other.

Hon. John McKay: Do you know whether any of the studies reveal a kind of sweet point, the point where the marginal efficiency of the tax actually diminishes? Is it at 3%? Or is it where it was, at 7%? Are there any studies on that?

Mr. John Kowalski: We follow the academic studies quite closely, because we're quite interested in them, but I'm not aware of anything of that nature that identifies a sweet spot like that.

Hon. John McKay: I think there was an \$18 billion estimate for accumulated debt. Just for clarification on that point, how much, on an annual basis...? Your revenues, grossed up, are about \$300 billion, including the money you collect for the provinces. How much of that disappears, such that you just will not collect?

Mr. Michel Dorais: Every year we make an estimate for the doubtful accounts. That estimate is an estimate, and it's based on the various categories of taxpayers and the experience of previous years. I think the number is \$4.5 million that we declared would be unrecoverable. That's an estimate.

Hon. John McKay: Is that \$4.5 billion or million?

Mr. Michel Dorais: Billion.

The Chair: I'm sorry, Mr. McKay, your time is up.

It's \$4.5 billion. What was the amount last year?

Mr. Michel Dorais: It was about the same.

The Chair: And the year before?

Mr. Michel Dorais: It's about constant.

The Chair: Okay.

Nous continuons, avec M. Loubier.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chairman.

Congratulations on your appointment, Mr. Baker.

And welcome Ms. Gauvin, Mr. Dorais, Mr. O'Connor and Mr. Ralston.

Mr. Dorais, I'd like to ask you a few questions. A few years ago, the Auditor General, who was Mr. Desautels, I believe, revealed that, on December 24, 1991, an advance ruling had been made on the transfer of two family trusts to the United States, and subsequently perhaps elsewhere. We don't know, because we lost track of them.

There were some senior officials from the Department of National Revenue, the Department of Finance, the Department of Justice and other departments. This decision authorized that family to transfer those trusts without requesting guarantees and without taxes being paid to Revenue Canada.

Eighteen months later, the Minister of Finance at the time introduced a bill providing that, every time advance rulings were made on asset transfers—either through family trusts or other vehicles—the party transferring those assets would have to post guarantees in advance to avoid being exempted from its tax obligations in Canada.

I subsequently questioned the Deputy Minister of National Revenue, before the Agency was created, and I was told that Revenue Canada was not equipped to monitor those investors who were transferring assets, that there were no specialists monitoring these people closely. If these people realized their assets in less than 10 years, they had to pay a certain amount to Revenue Canada. If they did it more than 10 years later, there was no problem.

So I ask you whether you now have any specialists who have enough resources to closely monitor these people who transfer assets outside Canada.

•(1720)

Mr. Michel Dorais: Thank you, Mr. Chairman.

Yes, we're able to monitor them, but I'm sure the member won't be content with that answer. Since these people work for Mr. Kowalski, I'll ask him to add to my answer.

[English]

Mr. John Kowalski: In 1996, the Department of Finance did announce certain measures to tighten the migration rules for individuals, including trusts, who emigrated from Canada, and these received royal assent in 2001 and were retroactive to 1996.

Essentially, under the new rules, people who leave Canada must calculate their taxes as if they had disposed of their property, other than certain taxable Canadian property, and they can either pay that tax immediately or else, as you noted, they can post security for that amount. Depending on whether they're an individual—a person—or a trust, there are certain forms they have to complete and certain information requirements they have to provide to the agency. And when they emigrate, they need to identify all the properties they hold.

We do have a system that tracks this information and tracks each of the properties they reported in the year of emigration. Anybody who chooses to defer payment of the tax owing is required to provide security before the due date of the return or to contact us to make an arrangement.

These accounts are in fact monitored on a yearly basis, and each and every year we issue letters to remind the taxpayers, after emigrating from Canada, that if they dispose of any properties, they should notify the Canada Revenue Agency of those transactions.

So that kind of monitoring and tracking system does in fact exist.

[Translation]

Mr. Yvan Loubier: All right, but are you telling me, with regard to the guarantee that taxpayers must provide before transferring assets outside Canada, that it is equal to the amount they would get by realizing those assets in Canada? I think it must be a smaller guarantee than that. Is that correct?

[English]

Mr. John Kowalski: They have the choice of either paying the full tax involved or else providing security that is sufficient to cover the amount of tax. So it wouldn't be for the value of the property; it would be for the value of the tax that would be owing.

[Translation]

Mr. Yvan Loubier: But if these people, whom you're monitoring, dispose of their assets outside Canada, the guarantee they've posted on leaving is refundable after a regulatory 10-year period, so starting in the eleventh year.

[English]

Mr. John Kowalski: Do you mean if they pay the tax at the time of emigrating?

[Translation]

Mr. Yvan Loubier: Let's suppose they leave a sufficient guarantee, as you say, but that it doesn't equal the amount of tax they would have to pay if they realized all the assets in the trust. Let's imagine they are outside Canada for more than 10 years and that, at the end of the tenth year, they realize the portfolio. If they pay taxes outside Canada, they can claim the guarantee from you that they left before leaving, can't they?

[English]

Mr. John Kowalski: My understanding—and I can be corrected by my colleague from the accounts receivable area—is that there is no time limit. The monitoring and the tracking will continue.

[Translation]

Mr. Yvan Loubier: Are you saying that, even when people have been outside Canada for more than five years, their assets can still be subject to a claim by the Revenue Agency?

[English]

Mr. John Kowalski: I'm sorry. I missed the translation completely. Oh, there was no translation.

[Translation]

Mr. Yvan Loubier: Before the reform, it was said that, if assets were realized outside Canada within a 10-year timeframe, a payment to Revenue Canada was mandatory. But you're telling me that that 10-year period has been abolished.

From what I understand, Canadian citizens who transfer assets outside Canada, regardless of where, and who realize those assets 15 years later would still owe the Revenue Agency money.

• (1725)

Mr. Michel Dorais: I'm going to answer committee members that there is indeed no time limit. However, I would ask them to give me a day to ensure that that information is in fact correct.

Mr. Yvan Loubier: All right. That would be appreciated.

The Chair: Thank you, Mr. Loubier.

[English]

To continue, we'll have Madam Ablonczy, *s'il vous plaît*.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Time goes so quickly.

The Chair: It does.

Ms. Diane Ablonczy: We appreciate your being here, gentlemen.

We know that being in the tax collection business does generate, shall we say, some less than desirable publicity at times. I do want to ask you about that, though.

As members of Parliament—at least I speak for myself, and I know other members of Parliament have told me the same—we do have constituents coming to us on a fairly regular basis very concerned about what you might call the culture of the agency on tax collection, in terms of reasonableness, in terms of effort expended for small amounts sometimes. I don't want to get into storytelling, but I think you know what I'm referring to.

Some of the stories I've heard have troubled me a great deal, and my question is as follows. If a taxpayer feels that they have been harassed, treated unfairly, have had their assets sold without proper authorization and then been unable to get the asset back once there's a ruling that it was improperly seized and sold—these kinds of things—is there an ombudsman? Is there a process where taxpayers can bring these issues forward and get some redress?

I know as members of Parliament we've been a little bit frustrated sometimes in trying to get a resolution for actions—and we know individuals don't always act as wisely as they could or should.

What's your corporate culture on dealing with these kinds of issues for ordinary Canadians who are up against the all-powerful department and really don't have the resources to seek redress when they feel they've been very unfairly treated?

Mr. Michel Dorais: Mr. Chairman, the member is right, being in the tax business is sometimes complicated.

The Chair: Even in the taxpaying business.

Mr. Michel Dorais: We're all in the same boat, wherever we sit. And we do have millions and millions of taxpayers, so it is not surprising that in some cases we have issues.

Now, on the substance, we do have a very elaborate appeal system that is independent and looks into any problem a taxpayer may have when he or she feels the amount collected or the amount under collection is not the right one.

Ms. Diane Ablonczy: Is that through the courts?

Mr. Michel Dorais: No, there's an appeal system, an appeal branch, and it can be brought from there to the court. But before that, there are literally thousands of taxpayers who go to that service.

Ms. Diane Ablonczy: What does that cost?

Mr. Michel Dorais: For the taxpayer, nothing; it's free. In fact, now they can even apply online to get their situation reviewed that way. It's reviewed completely independently, with the power to settle in some cases.

Now, from there you can go to the tax court and escalate the thing. But there's a large number, the largest number...and our objective is to solve the problem before it gets anywhere close to court.

Ms. Diane Ablonczy: Just to follow up on that, if a taxpayer has been unfairly treated, if there's been an element of harassment or unreasonableness, how is that dealt with internally? Is the agent, the employee of the agency, reprimanded, or is it looked into? What happens?

Mr. Michel Dorais: The distinction I'm trying to make is that there are two different kinds of issues here. One is a substantial issue—you've been assessed; you disagree with the amount. And there's a very elaborate system for that. The other one is when someone feels they haven't been treated well. There is an existing taxpayers' bill of rights, which was introduced years ago. We're looking at it with the minister now, reviewing the elements of it.

Every single complaint is investigated within the agency, and disciplinary measures are taken.

Our corporate culture on this is reflected I think in one of the recent internal reorganizations we've made where we brought together taxpayer service and collection, simply to illustrate that our relationship with the taxpayer is one of service to start with. As the service is delivered and if there is resistance in paying taxes, then the means escalate to the collection service. But we never start with a taxpayer by making a determinate collection action. We always start from a service perspective: how can we help to put things back in order?

So that's the culture.

• (1730)

Ms. Diane Ablonczy: Can you give me some idea of how many reprimands might be issued in a 12-month period? Is this substantial, or is it just a pro forma thing? Canadians will be wanting to know whether this is a process with teeth or whether it's just an exercise where it appears there is a stern talking to, but really there isn't.

Mr. Michel Dorais: Let me ask Mr. Ralston to comment on this.

Mr. James Ralston (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): I can't give you the statistics. I don't have them with me. But just to speak a bit about the process, we do have a capability, within the agency, to review any allegations regarding conflict of interest, or any sort of misconduct, or non-compliance with any of our policies on the part of an employee.

So we do have a capability within the agency to investigate, and then we render a conclusion on the nature of the allegation and whether it is founded or unfounded.

Ms. Diane Ablonczy: But capability is not delivery, right? I want to know specifically what actually is done.

Mr. James Ralston: After we complete the investigation, the results are turned over to the manager of the employee. A discipline may be given out, according to a discipline policy we have.

We do keep statistics on that process, but unfortunately I don't have them with me. But that is the process.

The Chair: Thank you, Mr. Ralston.

Mr. Christopherson, your round, for seven minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you kindly.

Thank you all for being here. It's good to see you again. We've been through this a couple of times at public accounts.

I want to begin first by putting on the record that in 1996, the government announced that the three objectives for the new organization were to: "provide better service to Canadians", "become a more efficient and effective organization...", and to "establish a closer partnership with provinces and territories".

Your department provided this report. In the introduction page of this, you say:

The Report is designed to help parliamentarians understand the government's objectives in putting the Agency in place, the general scheme of the Act, and its accomplishments over the past five years.

What I want to raise with you is the difference between what you say in this report and what the Auditor General has found.

And I know you're bringing her in separately, but some of these facts still pertain, Mr. Chair. I'm doing this for the sole purpose that this document, if it's meant to be a help to parliamentarians, should be a reflection of the reality within the agency and not just a spin document. That's the premise of why I'm asking these questions.

So to put some colour to that, on page 9 of your report it says that the act,

...has been implemented in a responsible manner that fully observes both the intent and the letter of the legislation.

On page 237 of the Auditor General's most recent review, which is only a few months old, she said the agency,

...approach to assessing files for risk continues to lack sophistication and has major weaknesses that impede the timely collection of tax debts. Further, the Agency still lacks information needed to manage its collection of the tax debt effectively.

Your document, on page 9, states:

...the fundamental transformation of the Agency's human resource and administrative regimes also served as the essential ingredient in enabling the Agency to meet the third of its objectives: improving service to Canadians.

On page 245, the Auditor General, says:

We found that the Agency does not have a full understanding of the composition of the tax debt and why it is growing.

She further points out, on page 256:

The number of accounts that collection officers maintain in their inventories varies between 15 and 300.

Your document, on page 60, says:

Its risk-assessment processes enable it to target compliance activities towards areas of highest risk and to shift resources to these key areas.

The Auditor General, on page 252, where there are three bullet points, states:

The automatic risk scoring of delinquent accounts was ineffective because the risk assessment was limited mainly to the outstanding balance and the age of the account; other important risk factors either were not considered or did not weigh heavily in the risk scoring.

The risk scores were rarely updated or used to prioritize workload.

There were no profiles of tax debtors for use in modifying basic collection strategies to improve recoveries from debtors who posed a high risk of non-payment.

I have more, but I don't have enough time.

I would also ask the clerk, while you're beginning your response, to circulate—

• (1735)

Hon. Garth Turner (Halton, CPC): I have a point of order, Mr. Chairman.

Is this a speech, or do we actually have questions that we can get some information from? He hasn't asked any questions yet. How long does he have, six minutes?

The Chair: Mr. Turner, you don't have a point of order.

Mr. Christopherson, please continue.

Mr. David Christopherson: Thank you, Chair. I appreciate that.

Are you done?

Hon. Garth Turner: Yes.

Mr. David Christopherson: Good. I appreciate that.

The Chair: Mr. Christopherson, direct your remarks to the chair, please.

Mr. David Christopherson: Yes, sir.

The document I want circulated, the clerk now has. I bring it to the attention of this committee because it merely points out that it was a unanimous motion at committee, so it included government members. And I quote:

That the Canada Revenue Agency report to the Standing Committee on Public Accounts by September 30, 2006 on the status of the Agency's 2010 vision plan and that the Committee requests the Agency to provide a detailed action plan including performance indicators and a timetable for completing its 2010 vision and, provide the Committee with regular progress reports.

I would just say that it passed unanimously because the committee was not satisfied with the answers to the Auditor General's reports. And yet I have this document in front of me, which I've just quoted from, which to read it you'd swear that everything was just wonderful.

So either this is a spin document, and let's call it that, or it very much misses the mark as an operating tool for this committee.

I think I've backed up my concerns. I leave that with you. And please respond in any way you feel comfortable.

Mr. Michel Dorais: If I may comment on that, there are two things. First, I think, Mr. Chairman, that the member is confusing the Income Tax Act with the CRA Act. This report comments on the Canada Revenue Agency Act. So that's point number one.

Point number two is about audits. And I would encourage the committee to ask the Auditor General what she thinks of the agency and what she thinks the agency has achieved in its first five years of existence. With the internal audit and the audits from the Auditor General, I think we accumulate something in the order of 135,000 hours a year of audits within the agency. We live and breathe through audits. And to be honest with the committee, when an audit report finds nothing wrong, it's a big waste of money.

So we welcome the comments of the AG. She's helping us in building a stronger agency. We did not disagree with any of the recommendations in her last report, and in fact we're already gearing up to implement everything she has suggested. These kinds of reports are extremely helpful.

On the agency per se, the document you have in front of you, which we would like to hope is as factual as it can be, has been prepared by the agency. It hasn't been prepared by the Auditor General, but I would encourage the committee to ask questions of the AG on that report. She has commented numerous times on the agency and has essentially said that the agency has one of the best systems of reporting to Parliament and provides parliamentarians with the most accurate information.

Of course, not everything is perfect. You will hear from the unions about the recourse in the staffing process. You will hear from the AG, as the member has pointed out, about some of the audit. If everything was perfect, it would be a wonderful world, but the agency has made enormous progress. I think what we've been saying to the committee is that five years has yielded incredible results, and we believe, from a management perspective, that another five years will confirm that the model Parliament chose in 1999 has the potential of bringing amazing governance results in the public sector.

• (1740)

The Chair: Thank you, Mr. Dorais.

Madam Ratansi, ask your questions. You have five minutes.

Ms. Yasmin Ratansi (Don Valley East, Lib.): I'll ask a quick one.

In your report you say "develop closer partnerships with provinces and territories", and you say you've matured into a truly pan-Canadian organization. Could you tell me how many provinces and territories are your partners? How many do you do business for or do collections for?

Mr. Michel Dorais: We have partnerships in every province of the country. We have clients in all provinces except the Province of Quebec, which collects its own income tax. For all the other provinces, we have agreements on collection, and also on the administration of benefits. They're less visible activities, like the \$400 Alberta rebate, which we administered under contract with Alberta. We're doing some work as well for most of the provinces.

Ms. Yasmin Ratansi: In 2004 or 2005, the federal government and the Government of Ontario were engaged in discussing a single collection for corporate tax. Could you tell me the status of this? How close is CRA to finalizing the deal with the Government of Ontario? And is this a priority going forward?

Mr. Michel Dorais: It is certainly on the books. I have to say to the committee that in that case—an agreement between the federal Minister of Finance and the Minister of Finance of Ontario—we are there as one party to the agreement, because we would have to deliver it. From our perspective, technically the discussions are proceeding very well, and we hope the two ministers of finance will reach an agreement very shortly.

Ms. Yasmin Ratansi: As the critic for National Revenue, I get a lot of calls from different ministers for small business, and so on.

One of the concerns was expressed by British Columbia, that there was a deal with CRA in terms of performance measures—because according to the agreements that you have with your partners, British Columbia is the largest, and I don't think Alberta, Quebec, and Ontario are party to that. Could you tell me where you're moving with performance review and how you are meeting your clients' needs when they have some issues with the way you perform?

Mr. Michel Dorais: In fact, I will ask Mr. O'Connor, who was in British Columbia not too long ago, to comment on where we are at. I think relationships are good.

Mr. Stephen O'Connor (Assistant Commissioner, Corporate Strategies and Business Development Branch, Canada Revenue Agency): We have just concluded a service management framework agreement with the Government of British Columbia. We're now working on the actual service parameters of that agreement. We're expecting that we can conclude those certainly by this fall at the outside.

Relationships with provincial officials have certainly been very positive over the last few months, which in fact included a meeting we had last Thursday with the senior revenue officials of all provinces, including British Columbia. It had a very positive outcome as we discussed parallel tax administration issues there. As I said, it was a very positive, collaborative meeting.

Ms. Yasmin Ratansi: So you think your agreement is going to come into effect by fall, that you will meet their requirements for a performance review.

Mr. Stephen O'Connor: I think we'll reach an agreement with them. In any agreement, of course, there will be, no doubt, a little compromise from both parties.

Ms. Yasmin Ratansi: Lastly, the recent Séguin report on equalization recommended that CRA collect a harmonized sales tax revenue in every province and territory, as is done in the Atlantic provinces. Has the CRA performed any recent studies, or does it have any idea which way it's going to go with this?

Mr. Michel Dorais: No, I don't think we're in a position to comment on that in any way. If the governments decide to sign an agreement and implement it, we of course will be there to implement it.

The Chair: You still have a bit of time, if you'd like, Madam.

Ms. Yasmin Ratansi: Well, my last question is going to be a real good one for you guys.

In terms of the multicultural outreach program, could you tell us how you're handling the outreach to the different communities that have questions?

I think it goes to what the previous member has said in terms of service. How are you serving the various different ethnic communities?

The Chair: You have about 30 seconds, unfortunately, Mr. Baker.

Mr. William Baker: First of all, we have made a number of our core documents available in different languages, to different groups in Canada. We also, for instance, have a record of our employees' language abilities so that we can arrange to converse with a taxpayer in the language of his or her choice on an appointment basis. Obviously it may not be the person you first meet when you walk into a tax office. We also have different outreach programs with different communities to make sure they're getting the service they need.

• (1745)

The Chair: To continue, Mr. Del Mastro. You have five minutes, sir.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

I just want to start with a bit of a comment, and you're welcome to comment on it, if you'd like.

There was an earlier question pertaining to the GST, the reduction of GST, and whether or not that would help to disrupt the underground economy or at least encourage people to be a bit more honest.

I just want to suggest that economics would point to lower taxes leading people to be more honest with tax reporting. The Laffer curve demonstrates, as a matter of fact, that a lower tax rate does lead to people being a bit more forthright in their taxes, since there's not as much to gain by lying or conducting an underground economy.

I do have, as kind of an offshoot from that, a question pertaining more to GST refund overpayment. I find it kind of concerning that currently there's no process in place to estimate where we're at with GST overpayment. In fact, the very fact that it even exists disturbs me. It's essentially theft, when you're claiming more money back than you're deserving of.

Have you made any progress in estimating overpayment, if there's any, and what kinds of repercussions there might be for people who are claiming GST refund overpayment?

Mr. Michel Dorais: I would have to defer to one of my colleagues. Bill or John will have the answer to that. I don't have the answer to that question.

Mr. John Kowalski: We recognize that refund overpayments are a key area of risk for tax administration, for any country with a value-added tax system. It's one we pay a particular amount of attention to. Over the years we have greatly enhanced our registration review process, in the belief that if we can know who it is who's registering as a business and is claiming these refund credits, then we're far better off to begin with. There are a lot of steps taken to ensure that if you register you in fact exist, and not just a post office box somewhere.

We have high-risk analysis teams that go through the refund overpayments. We have a referral to our audit people, who will go out and actually do a books and records review and confirm that the refund payment is legitimate and warranted before the payment is paid out. So there's quite a bit of attention paid on the GST prepayment side, for the very reason that it is an area of high risk and that we recognize it.

Mr. Dean Del Mastro: I suppose an offshoot of reducing the GST is that the refund overpayment would also be reduced. We're in effect reducing the potential for liability. Since the rate is actually reduced, the refunds over the aggregate economy would also be smaller.

Mr. William Baker: Mr. Chair, I too am familiar with a number of the studies that attempt to associate the level of taxation with the level of non-compliance. I think one thing that is useful for committee members to acknowledge, though, or to understand, is that a change in the tax rate doesn't immediately lead to a change in compliance behaviour, because people who choose to not comply for whatever reason are not going to be immediately motivated by a reduction in taxes. It's a culture of non-compliance, and we have to be constantly vigilant to address it.

Mr. Dean Del Mastro: With respect specifically to refunds, refunds based on a 7% GST would be higher than refunds based on a 6% GST. If we have a problem with overpayment of credits, it would be minimized by reducing the GST. That's my point.

The other thing I was going to ask about is as somebody who comes from small business. I was quite surprised to see that 60% of GST is actually collected by small business. On their behalf, I would like to ask why there are very strict compliance rules for when businesses have to remit GST, but when they're owed GST, the process for receiving it back—and certainly in small businesses, being owed thousands of dollars in GST can be quite crippling, and often this process takes months.... I'm just wondering why there's so much lag in receiving GST when it's owed to you, but the actual penalties for being even a day late on your GST submission are quite severe.

• (1750)

Mr. Michel Dorais: We would have to come back to the committee on this. I don't think one of us has the answer.

Mr. Dean Del Mastro: Perhaps one of the things you might also look into is how you could streamline the system a little bit for small business to make it a little easier for them to comply—whether we could move towards an electronic filing for payment of GST—because as it is right now you actually have to go to the bank and

have it stamped. It just seems there might be an easier way for businesses to remit GST that would be a bit easier for them to do.

The Chair: Your time is up, Mr. Del Mastro.

While you're preparing that data, I want to remind you of your commitment earlier to provide data to the committee on the number and nature of disciplinary actions that occurred. I didn't put that on the record.

Also, could you provide a bit of a summary sheet? It's my understanding that interest on taxes owing is calculated differently from interest on refunds to taxpayers. Also, the interest payment obligation begins sooner for the taxpayer who owes money to Canada than it does for Canada when owing money to the taxpayer. I would like you to outline that in your summary sheet for the committee's application as well, if you would.

We'll continue with Mr. Boshcoff. You have five minutes, sir.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much, Mr. Chairman.

Mr. Dorais, do you believe all Canadians should have equal access to public servants and public services?

Mr. Michel Dorais: By access, do you mean being employees of the public service?

Mr. Ken Boshcoff: I believe that in a country as large as ours—that's enough cryptic questioning—in terms of physical access to buildings and decentralization throughout the nation, people who want face-to-face contact and want to know they can walk into an office and get advice.... I'll just add one small point. I believe there already exists an infrastructure of facilities throughout the nation that is underutilized.

I'll leave that to you.

Mr. Michel Dorais: I don't know if the member refers to what we used to call service counters or inquiry counters, where anybody could walk in and see someone. If I go back to the original question—do I believe Canadians should have access to civil servants?—absolutely. This is why Service Canada was created, and this is why we have an appointment system that allows people to sit down with someone who knows what questions will be asked and is able to serve well.

Now, if the question is, are we living in a period where anybody can walk into any office and automatically have someone sitting there waiting for someone who happened to walk in, I think this is a very costly proposition, and the agency is moving out of that type of service.

Mr. Ken Boshcoff: I am actually more concerned about the amalgamation of offices, say, from northwestern Ontario to north-eastern Ontario, or smaller communities to Ottawa or the large urban centres. I believe it requires a critical mass in an office, so that someone can feel upward mobility and the ability to get promotions or try different jobs, and also so there can be decision-making functions. If it all comes from central command here in the valley, that would dissuade people from moving to other parts of the country—I don't just mean my riding, I mean all over the country—as opposed to knowing that they could have a fulfilling career with some measure of advancement by being outside of the largest governmental centre.

Mr. Michel Dorais: The question of the member is very important, and it's also something that's very dear to my heart. I have made it very clear in many speeches to the staff that if the agency grows, it will not grow in Ottawa; it will grow outside of Ottawa.

I'm preoccupied by the fact that Ottawa has now about 21% of the total staff of the agency. I think this is too high, and I think we have capacity in a number of places in the country. A number of areas are now looking at possibilities of growing the business in various areas of the country. So, hopefully, in the future, we'll see an agency that has less than a 21% proportion in Ottawa and more in the various regions of the country.

• (1755)

Mr. Ken Boshcoff: I'm sure you're aware of the rental disparities of, say, downtown Toronto versus Thunder Bay or places like that, where whatever you think you save in centralization, you're paying out in overtime, because staff can't get home in the rush hour anyway, those types of things, and the hyper-rents that are being charged in the real core areas.

Mr. Baker.

Mr. William Baker: I'd like to comment, Mr. Chair.

One of the things the agency is taking a hard look at, as we do what all modern organizations have to do, which is look at the right critical mass necessary to deliver a service.... We have the good fortune of having such a terrific, competent, distributed workforce across the country, including places as small as Thunder Bay. So we're looking at what we can deliver, using the talent where it resides, because you're absolutely right, we do know that there are situations where even in a smaller office, it may not only be a lower-cost place to do business, but you might have a workforce that is more experienced because they tend to stay attached to the organization longer.

I want to add one other thing, Mr. Chair.

From a career perspective, I don't think there is a federal agency that comes close to Revenue in offering the opportunity of starting at the ground level...you can go from a clerk and work your way to the most senior assistant commissioner level without having to come to Ottawa. I don't think there are too many organizations that offer this kind of career opportunity to employees.

The Chair: Thank you very much.

Mr. Boshcoff, thank you for your questions.

I'll ask Mr. Dorais something.

Some of our subsequent witnesses will, of course, as you're aware, be raising issues of concern to you and to your agency, and I'd like to invite you back on behalf of the committee—perhaps next week at some point—if you would be open to that, because I know the committee members will likely have other questions for you as a consequence of other testimony we'll be hearing. Would this be something that would be possible?

Mr. Michel Dorais: Absolutely, Mr. Chair. The model of the agency is very important for all the senior management, and we'll be here as often as you request us to be here.

The Chair: Thank you, sir. I know committee members will appreciate that.

Mr. Loubier.

[*Translation*]

Mr. Yvan Loubier: I'd like to know whether you've observed a significant increase in cases since the money laundering legislation went into effect.

A few years ago, the Auditor General told us that there were a lot of problems involved in the implementation of that act and that the number of complaints filed and investigations conducted had not necessarily increased.

Mr. Michel Dorais: With your permission, Mr. Chairman, I would ask Mr. Kowalski to answer that question.

[*English*]

Mr. John Kowalski: We have noticed a significant increase in cases referred since the introduction of the money laundering act.

[*Translation*]

Mr. Yvan Loubier: How big is that increase, Mr. Kowalski? What does it represent in percentage terms? Is it due to the money laundering act or to an increase in staff at the Canadian Revenue Agency?

[*English*]

Mr. John Kowalski: It's not an area I'm personally familiar with. I wouldn't want to mislead you. I know there are certain provisions in the money laundering act, and both provisions have to be met before a referral can be made to the agency. I don't quite recollect all of the details, but because of the two-step approach followed by the folks in FINTRAC, a limited number of referrals ultimately do come to the agency's attention from that route. We do receive quite a number through police forces, such as the RCMP and others.

[*Translation*]

Mr. Yvan Loubier: Do you know whether your Agency has a report on the effect of the money laundering act, among other things, on the number of cases handled? If so, would it be possible to send it to us?

[English]

Mr. Michel Dorais: We look for it if there's something available.

[Translation]

Mr. Yvan Loubier: All right.

I'm finished, Mr. Chairman.

[English]

The Chair: Merci, Monsieur Loubier.

To continue, we have Mr. Dykstra. You have five minutes, sir.

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

I'm referring back to a couple of points made in the Auditor General's report of 2006. I look at it from a significant perspective, in that maybe I'll read it and ask you to comment on it. It's a question that has a longer history to it.

Overall, the Agency has not made satisfactory progress in addressing the recommendations of our 1994 audit. Its approach to assessing files for risk continues to lack sophistication and has major weaknesses that impede the timely collection of tax debts.

What's your response to that? From a history perspective, it obviously goes back a little while. Could you comment?

• (1800)

Mr. Michel Dorais: Mr. Chairman, we don't disagree with this. We're not satisfied that we've made enough progress either. The thing to understand is it is not as if we've done nothing since 1994. The issue is that we were confronted with a series of priorities, and this one has not moved as quickly as we would have liked. When you look at it independently from all the other activities we do, we have not achieved the progress we wanted to achieve; we're getting to it.

We have achieved enormous progress in other areas—that's probably where the investment went at that time—but we don't disagree with the assessment of the Auditor General. We know our system is not what it should be, and we're working on it.

Mr. Rick Dykstra: In terms of areas of progress, would it be possible for you to comment on two or three of them?

Mr. Michel Dorais: Actually, we created the agency in that period of time. That was a major investment.

If you look at our volume of growth, for example, we sustained a growth of about.... If you look at the report on page 64, you see in figure 10 the graph that shows the growth from 1999 to 2004. The agency did not receive a single penny from the government budget process to allow for the growth in revenue. All this was funded through reallocations coming out of efficiency measures.

We certainly did concentrate a huge amount of money in there. We made major investments in fundamental systems that we needed to put in place; the GST redesign that we started a number of years ago required major investment, year after year.

The issue is always the same. We've been quite open about that. We always have choices when it comes down to allocating the money. We did improve dramatically—and I think the Auditor General mentioned it—on the accounts receivable. We were growing and growing every year, and we've now matched the intake. We're at

the stage of having stabilized the thing. The board of management has been following that very closely.

So we've made some progress on that front. Have we got the right system to have a really top-notch collection? No, we haven't got that yet.

Mr. Rick Dykstra: One of the other things in the report indicated that the tax debt has grown. I read this in the context of one of the five elements the agency was established on, that being accountability, and I ask the question from that perspective.

The tax debt has grown at a faster rate than the total taxes paid, while at the same time, management is not collecting the data it needs to understand why the amount of tax debt is growing and what it compromises. Would this not help in determining what is needed to actually reduce the debt and for the collection of the data?

Adding to that, she goes on to talk about information not being available and the effectiveness of various types of collection actions. It seems to me that speaks directly to accountability. Could you comment?

Mr. William Baker: If I may, Mr. Chair, we've acknowledged that we need far more refined and developed information systems to help us. The business of tax administration is the business of managing risk, and the same applies to tax collection. We have good information right now, but the information is prepared on an individual basis.

For this particular group of taxpayers who demonstrated they're not paying, we're really not as equipped as we would like to be to make intelligent decisions on the best way to approach that particular group of taxpayers. The Auditor General's report refers to some development work under way in the agency to get us to the point where we're more capable. It'll take time and money.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. Dykstra.

Mr. Scarpaleggia, you have five minutes.

• (1805)

[English]

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you, Mr. Chair.

I'm curious about audited taxpayers. All kinds of people who are being audited say they've never done anything wrong and the auditor is driving them up the wall. I'm quite curious as to how you decide who is audited and who is not.

Secondly, do you have data—

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Mr. Scarpaleggia, I don't think the interpretation system is working.

[English]

Mr. Francis Scarpaleggia: Oh, I see. Is it working now? Yes.

A lot of people wonder why they're being audited, and so on. Can you tell us a little about the criteria that are used to decide who gets audited and who is left alone?

Do you have statistics on the incidence of audits by income group? There's perhaps a misconception that it's the little guy who always gets audited, and the tax department doesn't worry about the big guys.

My second question is in regard to penalties. How do you decide what the rate of interest will be on a late payment? In regard to GST remittances that companies have to make quarterly, I'm told that if you're late in your remittance, not only do you get charged interest, but you get slapped with a penalty. I don't know if this is true. How are these things determined? How do you know it's the best optimal penalty or interest rate?

Thirdly, is changing the tax form in response to a sudden proliferation of tax credits a costly and cumbersome process?

Mr. Michel Dorais: Mr. Chairman, there are quite a number of aspects to the questions. I will have to defer some aspects to my expert colleagues.

One thing that is very common is that people come to me and say they've been audited. I would ask all members of Parliament to help on that. When we start asking questions, we realize that what the people received were letters asking for more information. That's not an audit. It's simply that people have obviously filed electronically. If there is something unusual, we will send a letter asking for proof of certain claims, and that's not an audit. There's huge confusion out there.

I will ask Mr. Baker, and maybe John, to give more pointed statistics on the audits.

Mr. William Baker: Mr. Chair, on your first point, there was a time when being audited by Revenue Canada could have been as simple as bad luck on a random selection of a file. Today it isn't bad luck; it's because the Revenue Agency has identified your file for review for a good reason or reasons.

It could be a quantum issue and it's simply the size of the amount that's in question. It could be the nature of the activity that generates the income. For instance, we know certain types of economic activities are more prone to non-compliance than others. There could be more complicated issues with respect to partners or international dealings necessitating that we perform a higher level of due diligence to look inside and determine whether the right amount has indeed been paid.

Mr. Kowalski has extensive experience in that. Perhaps we could ask him, with the permission of the chair, for some further details.

Mr. John Kowalski: Our largest audit coverage is with large corporations. Of the large corporations we audit, virtually all of their tax returns are filed on a biannual basis, so every second year we'll audit two years' worth of corporate tax returns. We do this taking into account the complexity of the transactions large corporations enter into, because of the dollar amount involved, because of the frequent legislative changes that affect large corporations. It's an area we've identified as high risk, and one we look at very closely.

In doing so, we bring a team of tax avoidance and international specialists to bear on it in order to identify the kinds of triggers that would require further action. Whether it's a transfer pricing type of issue or a particular arrangement or scheme we might find offensive, we bring folks to bear on it.

The large number of small and medium-sized enterprises is where risk assessment and risk management is critical for us. We risk assess and risk score each and every one of the some 24 million individual returns that are filed, each of the two million business returns that are filed, and all five million to six million GST returns that are filed. Over the years we've developed a series of indicators—I don't think I have the exact number, but it's in the ballpark of about 200 different indicators—that are in the computer system to assist us in risk scoring a particular return to try to identify particular risk factors.

To take a relatively simple example, if you live in a certain neighbourhood that is well beyond the income you report, that will be one trigger that will show up. If you have a certain business where your gross operating profit or margins are significantly different from what is the norm for that particular industry, that is another risk factor that will show up.

There are other reasons we'll do an audit. We might do a follow-up audit on a previous audit we've done, just to ensure that in fact there is compliance. We have a leads and assistance program, so sometimes we receive leads from external sources. We will look into those where it's warranted. We have a core audit program as well, and we have a small number of people—around 50 or so—who do a series of random audits. We do that just to benchmark our risk assessment systems in order to ensure that they are as effective as possible.

So there are many reasons why we would carry out an audit, but generally speaking it's all risk-based.

● (1810)

[*Translation*]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. Kowalski. Thank you, Mr. Scarpaleggia.

Unfortunately, Mr. Turner has lost his turn.

Mr. Christopherson, you have five minutes.

[*English*]

Mr. David Christopherson: How sweet is that? All right, thank you, Chair.

We try not to be petty, but we are—at least I can be.

Some hon. members: Oh, oh!

Mr. David Christopherson: Coming back to a couple of things, I do have a question. On page 37, you say the CRA continues to maintain good working relationships with the unions. On page 53, you also talk about “expanding and improving both the range of service offerings available to Canadians and the variety of channels through which these services are available”, and yet on both fronts you have major problems. You’ve closed the cash counter—you no longer allow Canadians to pay with Canadian currency anything they may owe—and yet you brag about expanding and improving service while you’ve just cut service to Canadians. That has triggered a campaign from the union, and I’m sure I’m not the only one receiving these cards from the union—your union—who are extremely upset about the diminishing of services to Canadians. Maybe you can explain the discrepancy for me.

Mr. Michel Dorais: There are two things there. The first thing is the relationship with the union. I’d like to think we have an excellent relationship with both unions of employees, and I encourage the committee to ask them the question. We’ve been working very hard on all sides to develop that relationship, and I have the utmost respect for the work the unions are doing.

That said, they had us change our mind on the payment counters. The original decision was the abolition of all payment counters. The unions came, and we had long discussions and changed that decision, allowing payments in all our offices, except the cash payments, which require a particular infrastructure to accept and are more difficult to handle.

On the counters, we agreed to disagree; the unions obviously do not share the rationale for the decision. We happen to believe that with the opening of the Service Canada offices—300 offices across the country where general information would be available—with the availability of online services, and with the possibility for people to make an appointment, overall after everything is in place taxpayers will get a better service in the end.

Mr. David Christopherson: Thanks, and I’m sure we’ll get a chance to ask the union.

I have a quick question before I move to my main question. Do you know if you now apply GST to transit passes? Does anybody know that?

Mr. Michel Dorais: I don’t have the answer, but we can provide it.

Mr. David Christopherson: I thought you might know.

If you do, could you give me a start date when you were advised to begin? Thanks.

Mr. Michel Dorais: Was that from the last budget?

Mr. David Christopherson: I don’t know; I’m fishing. I’ll be right up front. I don’t know the answer. I’m hoping you can help me.

I brought an easy question for you to end. You mentioned earlier—and I’d like you to repeat and expand on it—that moving to an agency has been an improvement. Could you touch on that again and give us some concrete examples of where we are doing better as a government—overall, Parliament—in providing the taxation collection services through the agency, as opposed to what it was before? That’s not a loaded question; it’s meant to be open-ended. Go for broke.

I don’t have a follow-up after that, Chair.

• (1815)

Mr. Michel Dorais: The creation of the agency brought into what was the revenue department individuals from the private sector who imposed their judgment on the various elements of the management of the agency. That has yielded an extreme rigour within the agency. Because I came from another department into the agency, I can tell you from experience that as a result, the nature of the issues around the management table are very different.

As to what we’ve been able concretely to accomplish, I think the report shows a number of elements of success. We’ve been able to grow steadily, since 1999 up until now, and all of this has been financed through efficiency measures. Ahead of everyone in the government, we developed the consolidated procurement systems to save an enormous amount of money, and we can provide the committee with the actual savings that have taken place. We’ve integrated our IT system four years before the rest of the government is thinking about implementing it. We’ve tested and successfully achieved it.

I’d like to believe that the creation of the agency introduced the rigour of a corporate structure into the public sector environment, while keeping the political accountability.... Frankly, it is a challenge to all of us to make that work and see if we can demonstrate to Parliament and others that this slightly different model of managing a highly operational part of government can work and give good results.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. Christopherson. Thank you, Mr. Dorais.

[English]

Mr. Turner.

Hon. Garth Turner: Thank you. The change from a department of the government to an agency to a commission has been fundamental to your evolution, and because of some fluke of history, I ended up in charge of Revenue Canada for a while. I was struck by the ability for political interference in the system. I’m wondering if you can give us some characterization of how that presumably has diminished with the change.

Mr. Michel Dorais: I can comment only on the year and a half that I’ve been there. I can tell you that the act provides that the agency has to give the Minister of National Revenue all the information he or she asks for. So there’s a flow of information that takes place. As the commissioner, I have never been asked to audit or not audit, to investigate or not investigate, or to assess or not assess a particular taxpayer, firm, or any other organization. Questions have been asked and answered. We owe the information to the minister, but there was no political interference on files.

Hon. Garth Turner: All right. I believe one of the chief benefits of the move has been to depoliticize the whole operation, and that’s great.

Let's move on to GST for a moment. We're now in the midst of reducing the GST from 7% to 6%. In this committee, we talked previously a bit about the cost of doing that. Could you reiterate the cost of the reduction program, and will it be a similar cost when we reduce from 6% to 5%?

Mr. Michel Dorais: We do have that information. Mr. Baker has the answer.

Mr. William Baker: We're estimating the cost for the current fiscal year—and this is just the cost for conversion, notification, and all the systems changes—at \$8.6 million. Then that virtually goes away, and in 2007-08 there's a residual cost of \$1.3 million.

Hon. Garth Turner: Do you anticipate a similar thing with the next point reduction?

Mr. William Baker: As you know, having been at the helm of this organization, little things are big because of the need to make sure that all of our system is lined up to reflect the proper amount of tax. That means all our forms and publications, whether electronic or physical, all the scripts we provide employees—everything. Of course, because it's an input tax credit system, you have to do it on the coming-in as well, and there are implications across the organization for a reduction.

What's important to us, whether it's \$3 million or \$5 million, is that we get it right, because if we get it wrong, we impose a terrible burden on GST registrants.

• (1820)

Hon. Garth Turner: This government may be moving down the path towards the elimination of the GST. We're certainly moving in that direction as opposed to the other one, so it bears this question: what is more efficient to collect, income tax or GST?

Mr. William Baker: At this point, we have now been collecting the GST for 16 years; as for income tax, the temporary tax goes back 90 years to 1917.

I think it's fair to say after all those years, whether you're talking 16 or 90 years, that we have developed the systems and capacity and expertise to collect both taxes quite efficiently right now. So it would be difficult I think for anybody to say which one is cheaper to administer in terms of the incremental dollar.

Perhaps the Department of Finance has done studies to that effect, but I'm not aware of any.

Hon. Garth Turner: How do we compare with other countries that have the value-added tax, in terms of the efficiency and the cost of collection of our value-added taxes? Have we done studies?

Mr. William Baker: No. What I can tell you is that some of our international partners have self-assessing systems with value-added tax and income tax, and we tend to mark ourselves against that; we've attempted to benchmark our progress against them. It's been a very difficult thing, because every value-added tax in the world is different for various reasons and because of the interplay between the value-added tax and, say, the provincial tax systems—we have a harmonized sales tax, of course, in the three Atlantic provinces and in Quebec—so we really have not been able to derive meaningful indicators of our performance vis-à-vis other jurisdictions.

Hon. Garth Turner: My last question is on a different topic, and that is income splitting. It certainly has been part of our government's

theoretical platform to allow income splitting, and I'm thinking particularly with—

[*Translation*]

The Vice-Chair (Mr. Yvan Loubier): Mr. Turner, your time is up.

Hon. Garth Turner: I'd like to address another point, please.

Mr. Yvan Loubier: I'm sorry, but your time is up. We mustn't encroach on the time allotted to the others.

Mr. McKay, you have five minutes.

[*English*]

Hon. John McKay: Thank you, Mr. Chair.

I wanted to ask a question on the issue of who pays what for these taxes that are collected.

You collect taxes on behalf of the provinces. How does it work? Do you charge a fee to the provinces for collecting those taxes?

Mr. Michel Dorais: No. In fact, to be very accurate, we say for convenience that we collect tax for the provinces, but what we do is administer a tax agreement that is signed between the federal government and the province. The tax agreement describes the service and the collection we'll make and the rules for it, and it's financed by the federal government.

We do have the capacity, however, to enter into agreement on a cost-recovery basis. This is what we do with some organizations like the Workers' Compensation Board of Nova Scotia, for example; we administer some of their activities, and they reimburse us on a fee-for-service basis. The agency is financed with both, but the bulk of the funding is through appropriation.

Hon. John McKay: I find the Ontario negotiations somewhat puzzling. Industry is desperate to have the corporate taxes collected by the federal government, and they have pushed the provincial government extensively, yet the federal government, at this stage in the negotiations, is actually proposing to pay the Province of Ontario to make the tax system more efficient and to do what was heretofore a provincial job.

How is it that the federal government ends up with the work and ends up paying for that work as well?

Mr. Michel Dorais: I will ask Mr. O'Connor to comment a little more on that, but one has to realize that when we decide to administer the tax, we also get the penalties and the interest as a result. The whole negotiation is the savings to a province for the collection of tax versus the additional revenue the federal government can make through penalties and interest and the cost of administration, and it's all that calculation that leads to a negotiation.

Do you want to add to this, Stephen?

Mr. Stephen O'Connor: The only thing I would add to that is the point that in those discussions, part of the situation is to have the Ontario tax harmonize with the federal tax, and part of the compensation package may well be to compensate Ontario for lost revenue associated with the harmonization.

•(1825)

Hon. John McKay: How does Ontario actually lose revenue if the same amount of tax is being collected and remitted by the federal government?

Mr. Michel Dorais: Moving from deductions to credits, for example, creates a transition cost for a province, and the actual differential between the interest rate charged in Ontario and the interest rate the federal government might charge creates another difference.

I don't know if you want to add more.

Mr. Stephen O'Connor: Yes, that's it, and the sense that in moving toward a harmonized system, Ontario, if they come forward, will probably be eliminating some of their tax credit programs.

Hon. John McKay: Thank you.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. McKay.

Mr. Turner, you have five minutes.

[English]

Hon. Garth Turner: Somebody asked a question I was trying to ask, and that was regarding income splitting or pension splitting. There's quite a movement among the retired generation today to try to get pensions put in because a lot of retired couples have one income earner, in terms of pension income, and they're in a higher tax bracket.

From your standpoint, would it be a very complicated thing to do, to allow pension splitting among retired couples?

Mr. William Baker: What you're raising is, of course, a matter of tax policy, which would be best directed to officials from the Department of Finance.

Hon. Garth Turner: But you guys have to collect it. Would it make any difference? Is it a complicated thing, or is it just changing a line in the tax form? I just want to see if there's any particular obstacle, from your point of view.

Mr. William Baker: I don't know if there would be a particular obstacle. I can say that we administer, as you know, such a full range of federal and provincial tax and benefit and credit programs and so on that there is rarely anything new presented to us that we cannot accommodate.

Hon. Garth Turner: When we allowed splitting of Canada Pension Plan income, what was involved, from your standpoint, with that change?

Mr. William Baker: I can't relate to the specific experience when we did the split on CPP, and I don't know if we have anybody here who can provide any detail. I certainly think, Mr. Chair, if there is some information regarding the cost to the agency, we could provide that to the committee.

Hon. Garth Turner: Okay, that's it.

Thank you.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. Turner.

Ms. Ratansi, you have five minutes.

[English]

Ms. Yasmin Ratansi: Thank you.

I just need some clarification on your response to the previous question from Mr. McKay.

When the CRA pays the provinces, you pay the provinces based on assessment. So say you assessed that the taxpayer is going to be giving \$500 and you collected \$200. The spread, or the difference, is \$300. You responded that your penalties and your interest collection are based on the fact that you are doing A and B. So could you tell me, are your interest and penalties based on the fact that you might have a spread and this negative spread is accommodated in this?

Mr. Michel Dorais: I'm not sure I understand.

Ms. Yasmin Ratansi: Say I am the Province of Ontario and you assess my taxpayer at \$500, and you paid me \$500, but you ended up, as CRA, collecting \$200, so there's a spread of \$300 uncollectable. Does that become your bad debt? What is the treatment of it? In one of the answers you did say you collected interest and penalties to compensate. By the way, I come from the banking industry, so having done spreads, I'm trying to figure out how you do your risk management and what you are talking about.

Mr. Michel Dorais: I think the word—I'm not sure if I said it, and if I said it, I should not have said it—is to “compensate”. There is a differential. We collect penalties and we collect interest, and a certain amount of excess revenue comes to the federal government, but you're absolutely right, we pay the province what we assess.

Now, in an agreement like the ones we've signed with some provinces, there's a public interest at stake, and there's a cost assumed by the federal government for that public interest. For business in that particular province, harmonization of tax collection creates an enormous relief in terms of bureaucracy, and they have to see a single auditor, a single taxable revenue. So an element is assumed by the federal government in the interest of the country, in the functioning of the country. I didn't say they would “compensate”, but it's certainly an added revenue.

Do you want to add to it?

•(1830)

Mr. William Baker: I think the point is worth clarifying, and it relates to the earlier question as well. The tax collection agreements under which we administer the tax regimes for provinces, be it on corporate income tax or individual tax, are all treated the same way that way. The province does not have to pay for us to do that, because, as the commissioner has pointed out, there has been a longstanding view—and I think a correct one—that the public policy benefit of a single tax administration is so beneficial to individuals, businesses, and the central governments of the country that it's worth the price of administration to do that.

Ms. Yasmin Ratansi: When you streamline and harmonize the system, you have efficiencies. In those efficiencies, who is the beneficiary? The central government or the provinces?

I think that comes back to the question of the one-stop shopping, and why CRA was not participating, or in participating there was some push back from the unions. Is it true or false? Am I misinformed?

Mr. Michel Dorais: On the benefit, there is a huge saving for the taxpayers in the consolidating of this. There is also an efficiency saving. As I said earlier to the committee, all the growth of the agency has been financed through efficiency savings within the agency. We certainly hope that when we sign an agreement with a province and we collect either a harmonized sales tax or a corporate tax, provincial and federal, we can realize economies of scale there, and we benefit from that.

Ms. Yasmin Ratansi: Fair enough.

I only have a few seconds left, so I'm not going to ask another question.

The Vice-Chair (Mr. Yvan Loubier): Thank you, Ms. Ratansi.

Monsieur Dykstra, for five minutes.

Mr. Rick Dykstra: Thank you.

Mr. Chair, I don't think I will take my five minutes, but I do have a general question.

This is the first time I've had a chance to listen to all you folks present and speak with respect to the agency and its existence for the last five years.

Some of the priorities that you have outlined and indicated in both your report and in your responses today and some of the facts or some of the issues outlined in the auditor's report aren't necessarily similar. I take what you said about needing to prioritize in terms of the direction you're going in, albeit those issues are as important as one is to the next.

There is only one question I would have. As an organization, if you had three priorities that you were going to be focused on for the next 12 months and you came back here and were asked about them, what would those three priorities be?

Mr. Michel Dorais: I think it would be focusing on our core capacities. I think the agency is always at risk. Because we are good at certain things, we're always at risk of spreading ourselves in all kinds of directions. We are good at collection and benefits administration in large volume or for the benefit of government clients. That's our core business, and I think we really need to keep our eyes on the ball. That would be priority number one.

Priority number two is maximizing the use of the particular governance model we have. I would venture to say that we have not, over the first five years, taken as full advantage of the private sector and applied this to our organization as we could have. This is why we came with the recommendation that we need some more time to really make that work to a peak.

The board of management has evolved tremendously over the last year, and it has had input more and more into the management of the agency, and we're starting to see some results.

The last element is to look at maximizing the use of the capacity we have throughout the country. We can grow the business in areas that we're already in; we can solicit new business. We have additional capacities in some places we can use to deliver programs on behalf of governments across the country, so we're looking at ways to maximize that. Those would be my three priorities.

Mr. Rick Dykstra: I have a quick follow-up to that. I need a comment very quickly. The board versus management—I wondered, you said in the last year it has really developed rapidly and has become a lot more efficient. Could you just quickly expand on that?

• (1835)

Mr. Michel Dorais: For example, the board gave itself charters for all the committees. It passed a resolution to participate in the performance assessment of the CEO and the COO. It is developing a major project tracking system, and it has an audit committee, of which I'm not a member, as management. It's strictly composed of private sector individuals nominated by the province and the federal government. There are no officials there. It meets in camera with the auditor, without us present in the room, so they can really question the internal auditor.

All of these elements are new things that have happened over the last year. It is very innovative in the public sector environment.

Mr. Rick Dykstra: Thank you.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. Dykstra.

Mr. McKay, you have five minutes.

[English]

Hon. John McKay: *Merci, monsieur le président.*

I want to ask you about the issue of clawbacks for the purposes of calculation of seniors' income. If I'm a senior receiving OAS and I receive a dividend of \$100, the clawback, I believe, is treated at \$125. I think that's correct. If I receive \$100 cash, it's treated as \$100 cash income, but for purposes of a dividend it's the gross-up amount of \$125. I'm given to understand that in the budget of 2006, that \$100 is now going to be treated as \$145 for the purposes of clawback.

The first question I have of you is on dividends. Why, for clawback purposes, is a \$100 dividend treated as anything other than \$100? Second, for the purposes of this budget, is it true that the clawback provisions have increased effectively from \$125 to \$145?

Mr. Michel Dorais: Thank you, Mr. Chair.

I would have to ask for some help from my colleagues, because I don't have the technical background to answer the question.

A voice: It's a tax policy question.

Hon. John McKay: I'm not sure it is actually a tax policy question, because that's the usual dodge. It is an administrative issue. I just want, first, to confirm the truth of my analysis, and second, to find out why you folks pick the \$125 over the \$100, or the \$145 over the \$100. There has to be some rationale.

[Translation]

Mr. Michel Dorais: Mr. Chairman, the question is very clear, but we don't have any technicians who could answer it. With your permission, I'd like to call on our colleagues from the Department of Finance in order to provide the committee with a quick answer.

The Vice-Chair (Mr. Yvan Loubier): All right. You can give us the results of your analysis next week. Thank you.

Mr. Boshcoff, you have five minutes.

[English]

Mr. Ken Boshcoff: Merci.

I'll come back to my earlier round of questions in terms of cost-benefit analysis between jurisdictions. Do you actually have an A-level intensity of Calgary, Vancouver, or Toronto accommodation, or a differential between Ottawa and, say, a Lethbridge, a North Bay, or a Quebec City—that type of thing? Can you actually define the cost of operations between those sizes of centres?

Mr. Michel Dorais: I don't know. Jim, do we have that?

When we do specific projects, we certainly take some of the things into account, but I don't know if we have that.

Mr. James Ralston: You would be referring to the total cost of operating—salaries, everything. I don't have that information readily at hand. In our accountability documents we normally present, in terms of programs and activities, something like a detailed organizational unit. We would have to do a bit of research to get that information.

Mr. Ken Boshcoff: Okay. The question was whether you can or do, and that is how you do it.

If we're not experiencing much walk-in traffic and those kinds of things, the tasks at hand can be performed almost anywhere in an electronic age. In fact, my file would be available for an audit just about anywhere in the country. Someone could perform it in Labrador as well as they could in Winnipeg or something.

I ask that costing question: have you determined what you can save by not being in the intense downtown, in an electronic age in which you don't have to fly staff to be physically present at meetings? Can you actually compute the cost benefits to being in regional areas for an operation of your size?

• (1840)

Mr. Michel Dorais: I'm not sure if we do it on a systematic basis throughout the country, but every time we have a project and we have options of locales for the centre, that's certainly a factor that enters into the decision. In fact, we made some decisions. We

relocated one of the compensation centres to Winnipeg, for example. We've got the GST and the rebate in Summerside, P.E.I. For each of those, a study determined where it made more sense.

It's a combination of where the staff is, whether we've got capacity. We have tax centres, as you know, in seven major cities, or minor cities—I don't know how to qualify them, but cities in the country. So when we have free capacity, obviously, there's an advantage in putting some of the work there. That's what the whole geography of work initiative is all about, putting the work in the right place with the right people.

Mr. Ken Boshcoff: Probably, diplomatically, calling them “smaller communities” might be—

Mr. Michel Dorais: Thank you. That's what I meant.

Mr. Ken Boshcoff: Respectfully submitted. Thank you.

Two quick questions. Are you aware of underused capacity around the country?

Mr. Michel Dorais: No, because, unfortunately, it's not as easy... For example, if you visited our Winnipeg tax centre in May, you would see a very, very busy place. You'd have problems even walking in the halls there. If you visit the same centre in September, less than half the staff are working. Obviously, if we can find some business we can do there in the low months of the year... We have a trained workforce there that works part-time and comes back year after year. It's not excess capacity, but we certainly have some capacity there. This is what we're trying.

When I say we're looking for new business in the core of our activities, it's business we can farm out to the various places where we already have capacity.

Mr. Ken Boshcoff: Thank you.

Have you addressed the question—there was some debate some time ago that you need only apply, if you lived in the Ottawa area—of depriving—

[Translation]

The Vice-Chair (Mr. Yvan Loubier): I'm sorry, Mr. Boshcoff, but your time is up. If there's any time left at the end, you can have another turn.

Mr. Ken Boshcoff: Thank you.

The Vice-Chair (Mr. Yvan Loubier): Mr. Del Mastro, you have five minutes.

[English]

Mr. Dean Del Mastro: Thank you, Mr. Chair.

First a comment. It does seem to me the agency is ahead of most government departments in terms of technology. I speak specifically of e-filing tax returns.

Just a couple of questions. The information we have runs up to 2004. I'm just wondering if the trend toward an increased number of tax returns being e-filed has continued. Second, has that led to you finding efficiencies or people receiving tax returns sooner? Maybe you could speak to the benefit of e-filing.

Mr. Michel Dorais: I'll try to speak and will be corrected by my people.

We pride ourselves on being at the forefront of technology. Effectively, our technology branch is strong, about 3,600 people, which makes it the biggest one, I think, in the federal government.

Although the fiscal year is not over—it will be three days from now—I think we will reach 53% for e-filing. Last year, it was very close to 50%, and it was 47% two years ago. So it's increasing a lot.

Now, there are some economies through e-filing, but they average about \$2 per return. It's not huge, but the level of service has changed. We have a standard of service of 15 days for e-filing, for reimbursement, and we're meeting a standard of 12 days right now. So those who file electronically receive their reimbursement within 12 days in most cases, which is amazing.

Through “My Account”—and these are new services that have come out—you can change your address, you can appeal a decision, you can look at the last six years of your account, I think it is, and you have all the information. You can calculate a certain number of things directly from “My Account”. So the level of service has increased dramatically as a result.

• (1845)

Mr. Dean Del Mastro: That's great.

I have nothing further.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Mr. Del Mastro.

Mr. Christopherson's turn is left. Would any other colleagues like to speak one final time?

Ms. Ablonczy?

[English]

We will have Mr. Christopherson for five minutes, and Madam Ablonczy will finish up for the committee.

Mr. David Christopherson: *Merci, monsieur le président.*

I'm going to take off my critic's hat—I am the critic for revenue. I don't normally get these opportunities. I would like to go back to the whole notion of the model, simply because if it does work—if it's a new direction for us and it works—then by all means, it may be something we want to look at in terms of replicating in other areas.

Again, there is no grilling here; I'm really just asking. Could you come back? I didn't really get the answer I was looking for earlier. I appreciate what you said, and I'm sure it's important from a management perspective, but I didn't get a sense of the structural building blocks in going down this road. How does it provide better service? In other words, what are the things that are working so well that maybe we ought to think about transferring them to, or applying them in, other areas of government?

Mr. Michel Dorais: The model is composed of three pillars. One is the board of management; there are 15 members. I'm the only civil servant on that board, as the CEO of the organization. All other members, by law, have to come from the private sector. Twelve members are nominated by provinces and territories, and they cannot be employees of the provinces; three members are nominated by the federal government, including the chair. I think the chair, Connie Roveto, appeared in front of this committee last year.

That's the board that is accountable—and legally accountable—for all the management of the agency. The minister is not. The minister is responsible in front of Parliament and answers questions, but in fact I never discuss management issues with the minister. I'm always accountable to the board. I will provide the minister with all the information—

Mr. David Christopherson: Would the chair have that kind of dialogue with the minister?

Mr. Michel Dorais: No. Very often the chair and the minister will meet and they will exchange. Their official powers are in the act; the minister can give directives to the board and the board can give a recommendation to the minister. These powers have never been used in the five years.

What the board is looking to is whether it's well managed or not. Like a private corporation, they have an audit committee for all the management. The minister gives us program direction; the board has no access to taxpayer files and has no access to programs. The minister has this access. The minister gives us the political direction we need, and the board gives us the management direction, just as a private corporation board would. I'm accountable to both, and my performance is assessed by both.

That model works well in areas in which there is very little policy content—we do no policy—and a very high operational content, which we do. Especially since the border points have left the agency, we are no longer involved in preserving the territory of Canada or defending the border. We are strictly involved in financial transactions with taxpayers, trusts and corporations, and businesses. We handle money. We collect it and we give money to beneficiaries, so it's very highly operational, with a low policy content, and it has yielded some results.

Mr. David Christopherson: Do I still have some time?

The Vice-Chair (Mr. Yvan Loubier): You have two minutes.

Mr. David Christopherson: I think you said three pillars. I think you described one. What are the other two?

Mr. Michel Dorais: The last one is the commissioner. The commissioner is responsible in the act for the day-to-day management of the agency, so I'm responsible and accountable directly by legislation for the day-to-day management of the agency.

Mr. Baker would like to say something.

Mr. William Baker: I wanted to mention something that hasn't been mentioned: the authorities given to the Revenue Agency for human resources management. This place starts and ends with people. The authorities we now have allow us considerable latitude in the way we classify, in the way we structure ourselves, and in the way we treat employees.

To give you one example, in the Canada Revenue Agency we created a group called the management group, which regroups anyone who's in a supervisory role, by and large; we work with that group. They have a separate classification—unionized, but a separate classification—and we've created a process by which you can get alignment for the strategic direction and identification of a management community.

I point this out because it's something we've done at the CRA that has been under close observation by the rest of the public service, as have a number of other HR practices. I just spent three and a half years outside the CRA, and believe me, many places would covet the opportunity to do what we've been able to do with our authorities. I think it's reflected in our employee satisfaction in public service surveys. It's very encouraging.

• (1850)

Mr. Michel Dorais: The human resources element is important. We do our own collective bargaining. We get our collective bargaining mandate from the board of management. I'm the negotiating partner with the union. We sign the agreement with them.

Mr. David Christopherson: Am I done? *Merci, monsieur.*

Thank you all very much.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): I'm sorry, but your time is up. I don't like to interrupt you in this way. However, it is my responsibility to do so, in a courteous manner, of course.

Ms. Ablonczy.

[English]

Ms. Diane Ablonczy: I have one final question.

As legislators, of course, we're interested in the adequacy of the legislation that you operate under. I'd like you to advise the committee as to whether there are any changes or adjustments or additions you'd like to see in your governing legislation that will allow you to carry out your mandate more effectively.

Mr. Michel Dorais: The legislation is not perfect. Certainly there are always ways to improve. But we figure that with five years of experience with this new model, it's a little early to recommend to the committee any specific changes.

This is why we would like to encourage the committee to have another five-year review, which would be four years from now, as we implement the further changes and as we evolve. I think that time might be the time for the committee to make a final decision on whether this model is a good public service model—it exists nowhere else, in none of the provinces either—and whether that

model for operational areas is something we should pursue and what amendments should be made to the act.

Ms. Diane Ablonczy: That's helpful. Thank you very much.

[Translation]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Ms. Ablonczy.

Ms. Ratansi, you told me earlier that you would like another turn.

[English]

Ms. Yasmin Ratansi: My question is a little complicated because I wanted to talk about risk management. You gave an answer saying that when you're assessing risk you probably have a debtor profile or a taxpayer profile. And you go after that specific profile. You mentioned that if you live in a certain area like Rosedale and you declared a \$14,000 income, you'd be in real trouble.

There's a lot of tax—I wouldn't say evasion. The tax law allows people to take certain credits, for example, the MURBs. They are those tax shelters they have.

When does Revenue Canada decide whether that shelter is not good or bad? When does it change its legislation? When does it change its treatment? How much notice does it give to these individuals? These individuals turn out to be our constituents, who are a little concerned at the unfair treatment they are getting by sudden changes in legislation without their knowing about it.

Mr. Michel Dorais: John, do you want to answer that question?

Mr. John Kowalski: I'll give it a try.

In terms of tax shelters, there's a requirement under the Income Tax Act for all tax shelters to be registered with the agency. That's done in order for us to be aware of the existence of a tax shelter. There are quite severe penalties if they're not registered. So we need to be aware of tax shelters. And ever since I think about 1994, when there was a joint announcement by the Ministers of Revenue and Finance, we've given very close scrutiny to tax shelters. We will review them to ensure that they do in fact comply with the legislation as it's written.

What happens is that we will assess people's income tax returns as they file them. But we still have a period of three years in which we can actually reassess that return. Some of the tax shelters, of course, are very complicated in the way they're structured, and it can take us some time to review that tax shelter and to determine whether or not it is compliant with the legislation.

So it does happen sometimes that there is a time gap between when that determination is made and when we will go back and reassess the individual investors who are participating in that particular tax shelter. Sometimes you do have that kind of a time delay.

In terms of legislative changes, those, of course, are the purview of the Department of Finance, and we're not privy as to when they do or don't make those.

• (1855)

Ms. Yasmin Ratansi: But how does a taxpayer know if there has been a change in the way you are going to do business? We are MPs. We get these questions. We don't know what to do because we have a relationship with certain branches of the income tax people. But there are certain complicated ones, and these are small shelters for small investors, etc. How do we go about ensuring that they get a fair treatment but they pay their fair share as well?

Mr. John Kowalski: Part of our approach to tax shelters is to communicate our position on them quite widely, and on the CRA Internet site we do provide quite a bit of information to people in terms of the kinds of considerations they should take into account in deciding whether to invest in a tax shelter or not.

Over the years we have published and put up a number of notices alerting taxpayers to one arrangement or another and cautioning them about going into certain types of arrangements. We have been as specific as we can be in terms of the kinds of arrangements they should perhaps avoid, and we have always counselled them to seek professional and independent advice before they enter into a tax shelter arrangement.

Ms. Yasmin Ratansi: This is on your website.

Mr. John Kowalski: It is definitely on the website.

[*Translation*]

The Vice-Chair (Mr. Yvan Loubier): Thank you, Ms. Ratansi.

Before thanking you, Mr. Dorais, I'd like to make a request and a comment. The request is an administrative one. For your appearance next week, would it be possible to send the documents related to that appearance to the clerk as soon as possible?

In addition, on behalf of my colleagues, I'd like to thank the staff of the Canada Revenue Agency who answered the requests from MPs' offices concerning the points at issue. These people are formidably efficient, in addition to being pleasant. Our caucus has mentioned that on a number of occasions. Every time we submit difficult cases to them, we are pleasantly surprised at their response. I don't know whether that feeling is shared by the other parties, but whatever the case may be, I'd like you to transmit our congratulations to them.

Mr. Michel Dorais: Thank you for those kind words. We don't get to hear those kinds of encouragements everyday. I'll be very pleased to pass them on to them.

Thank you.

The Vice-Chair (Mr. Yvan Loubier): Mr. Dorais, Mr. Baker, Ms. Gauvin, Mr. Ralston, Mr. O'Connor and Mr. Kowalski, on behalf of my colleagues on the Standing Committee on Finance, I'd like to thank you for attending this meeting. Your expertise and kindness are very much appreciated. Good night.

The meeting is adjourned.

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