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LEGISLATIVE SUMMARY

BILL C-224: AN ACT TO AMEND AN ACT TO AUTHORIZE THE MAKING OF CERTAIN FISCAL PAYMENTS TO PROVINCES, AND TO AUTHORIZE THE ENTRY INTO TAX COLLECTION AGREEMENTS WITH PROVINCES

43-1-C224-E

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For clarity of exposition, the legislative proposals set out in the bill described in this Legislative Summary are stated as if they had already been adopted or were in force. It is important to note, however, that bills may be amended during their consideration by the House of Commons and Senate, and have no force or effect unless and until they are passed by both houses of Parliament, receive Royal Assent, and come into force.

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Legislative Summary of Bill C-224
(Preliminary version)

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1 BACKGROUND

Bill C-224, An Act to amend An Act to authorize the making of certain fiscal payments to provinces, and to authorize the entry into tax collection agreements with provinces,[1] was introduced in the House of Commons on 25 February 2020 by Mr. Gabriel Ste-Marie during the first session of the 43rd Parliament, and was reinstated during the second session of the 43rd Parliament on 23 September 2020. It passed second reading on 27 January 2021 and was referred for study to the House of Commons Standing Committee on Finance. On 10 March 2021, the committee reported the bill back to the House of Commons after amending it to remove the entirety of its contents.[2]

The *Federal-Provincial Fiscal Arrangements Act*, (the Act)[3] sets out the authority and details of equalization, stabilization and succession duty payments between the federal government and the provinces/territories. In addition, section 20(1) of the Act provides that:

> Where a province imposes taxes on the income of individuals or corporations or both, the Minister, with the approval of the Governor in Council, may, on behalf of the Government of Canada, enter into an agreement with the government of the province pursuant to which the Government of Canada will collect the provincial taxes on behalf of the province and will make payments to the province in respect of the taxes so collected, in accordance with such terms and conditions as the agreement prescribes.

Quebec is the only province in Canada that has its own fully autonomous tax administration to collect the provincial taxes payable inside its jurisdiction. The other provinces and territories use the Canada Revenue Agency (CRA) to collect their taxes, with the exception of Alberta, which has collected its own provincial corporate income tax since 1981.[4] Prior to 2009, Ontario also collected its own provincial corporate income tax, a practice which ended upon the adoption of the *Memorandum of Agreement Concerning a Single Administration of Ontario Corporate Tax* between the Government of Canada and the Government of Ontario.[5]

Tax collection agreements ensure the same tax base is used by the provincial tax administrators by stipulating that the provincial rates of personal income tax and corporate income tax must be expressed as a percentage of federally defined taxable income.

Bill C-224 seeks to amend the Act in order to allow a province to enter into an agreement with the Government of Canada that would allow that province to collect and administer its own taxes as well as those of the federal government. In addition, the bill seeks to commence discussions for such an arrangement with the province of Quebec.

The key amendments of the bill are discussed below.

2 DESCRIPTION AND ANALYSIS

Clause 1 of Bill C-224 amends the Act to create a new section 20.1 with four accompanying subsections.

New subsection 20.1(1) authorizes the Minister of Finance to enter into an agreement with the government of a province in order to allow that province to collect federal personal and corporation income taxes on behalf of the Government of Canada, and to make payments to the Government of Canada in respect of the taxes so collected, in accordance with such terms and conditions as the agreement prescribes.

New subsection 20.1(2) allows such agreements to be subsequently amended with the consent of both parties.

New subsection 20.1(3) of the bill stipulates that any such agreement must provide measures to mitigate the impacts of that agreement on the employment of affected persons.

New subsection 20.1(4) requires the Minister of Finance – upon entering into such an agreement – to undertake negotiations with the foreign taxing authorities in order to amend any income tax treaties, income tax agreements and/or tax information exchange agreements that they have entered into with Canada so that the government of the relevant province has access to all the tax information necessary to implement the agreement from those foreign taxing authorities directly.

Clause 2 of the bill requires the Minister of Finance – within 90 days of the bill receiving Royal Assent – to undertake discussions with the government of Quebec in order to enter into such an agreement within one year.

NOTES

1. Bill C-224, An Act to amend An Act to authorize the making of certain fiscal payments to provinces, and to authorize the entry into tax collection agreements with provinces, 43rd Parliament, 1st Session.

2. House of Commons, Standing Committee on Finance, *Bill C-224, An Act to amend An Act to authorize the making of certain fiscal payments to provinces, and to authorize the entry into tax collection agreements with provinces*, Second report, 10 March 2021.

3. *Federal-Provincial Fiscal Arrangements Act*, R.S.C. 1970, c. F-6.

4. For additional information about Alberta's corporate tax collection, see Government of Alberta, *Corporate income tax*.

5. For additional information about the tax collection agreement between the Government of Canada and the Government of Ontario, see Ontario, Ministry of Finance, *Memorandum of Agreement Concerning a Single Administration of Ontario Corporate Tax*.