



News Summer 2012

In this issue:

- **France adopts Financial Transaction Tax**
- **Strong support for Financial Transaction Tax**
- **Tackle Tax Havens Campaign**
- **Romney under fire for banking on tax havens**
- **Motion passed in Parliament calling for inequality study.**
- **BC Carbon Tax is Working**
- **Editorial: Canada and Tax Cheats**

European Victory on FTT

France has introduced a Financial Transaction Tax - popularly referred to as the Robin Hood Tax. It went into effect August 1 and applies a 0.2% tax on sales of publicly traded shares of businesses with a market value of over 1 billion Euro. Some of the revenue will be used to support the global fight against AIDS.

It is expected that by the end of this year 10 European countries will follow the French lead. These “pioneers” include Germany, Italy, Portugal, Slovenia, Spain, Estonia and Finland. The UK said it would not join in but it won’t stop others from going ahead.

Germany is expected to adopt a wider tax that will cover trading in currencies, derivatives and other financial transactions.

Once the coalition of the willing in Europe implement an FTT, and show that it can work, there will be renewed pressure on other countries, including the UK, US and Canada to join. There is growing urgency to find ways to fund critical investments in fighting AIDS, global poverty and climate change as many donor countries, including Canada, have cut their aid budgets.

Strong public support for Financial Transaction Taxes

An [international poll](#) commissioned by the International Trade Union Confederation found very strong support in many countries, including Canada, for the introduction of Financial Transactions Taxes (FTTs), also known as the Robin Hood Tax. Despite initially low recognition of the FTTs in Canada, 74% of those polled were in support. In France, where 88% of the public were aware, 88% of the public also supported FTTs. There was also strong support in Germany (82% in favour), the UK (76%), the US (63%), Japan (70%) and other countries.

There has been a very active global campaign for financial transactions taxes. It is backed by unions together with anti-poverty, international development and environmental groups in the [UK](#), throughout Europe, and just recently launched in the [United States](#). Canadians for Tax Fairness has been an active member of the [Canadian Robin Hood Tax campaign](#).

Recently an impressive group of over 50 finance industry professionals—including former VPs of Goldman Sachs, JP Morgan and of the Chicago Stock Exchange and the managing director of the Rothschild Group—signed [a letter urging G20 and European leaders to introduce a financial transactions tax](#).

In June the International Labor Organization published its annual anthology [Confronting Finance: Mobilizing the 99% for Economic and Social Progress](#). This includes a chapter “Taxing Finance” written by Canadians for Tax Fairness board member, Toby Sanger. He makes the case for FTTs and other taxes on the banking and finance industry.

What Could You Do with \$32 Trillion?

Rich individuals and their families have as much as \$32 trillion of hidden financial assets in off-shore tax havens, new research from our partners at Tax Justice Network (TJN) has revealed.

This translates into as much as \$280 billion in lost income tax revenues that could be paying down government debt and supporting public services and education.

[The Price of Offshore Revisited](#) examines the growing problem of potential tax revenue being diverted from government services. While it focuses on the problem of unreported wealth for developing countries, it adds fuel to a growing concern in Europe and North America.

The TJN research on offshore wealth was analyzed by a team led by American economist James Henry. It highlights the “often unsavory role” played by banks in catering to rich individuals who want to hide money offshore.

The report's researchers were up against a complicated system where wealthy investors set up a trust in one territory and a company in another. Directors are often registered in one jurisdiction while the bank account is in a separate country.

In 2009 G20 leaders asked the OECD to pursue the tax haven issue. The report criticizes the OECD and other international organizations for not doing enough to improve the transparency of offshore wealth.

Federal Layoffs Paving Way for Tax Havens?

What's the message to tax avoiders and tax evaders when the federal government lays off 400 Canada Revenue Agency (CRA) auditors assigned to criminal investigations and special enforcement?

It certainly raises questions here at C4TF.

Auditors received their notices earlier this spring as a result of Finance Minister Jim Flaherty's Budget 2012. There has been some talk that the layoffs are part of a CRA reorganization. But there seems to be a worrisome trend. The CRA's Compliance division has suffered 16 per cent budget cuts from 2007 to 2010. The Parliamentary Budget Office has demanded CRA and other government departments and agencies give a clearer accounting of how these cuts will impact Canadians.

Meanwhile the US and Australia are among countries that have increased budgets to staunch the flow of legitimately owed taxes. And with good reason. One report indicates that for every dollar spent on Canada's auditing program – five dollars is returned through increased tax revenue. A significant portion came from international and big businesses that were trying to avoid paying their fair share of taxes.

Statistics Canada is another agency suffering massive cuts under the Harper government. It continues to track Canadian investment in foreign countries which shows that direct investment in the Caribbean has been on an upward climb for the past decade. The largest increase was in Barbados followed closely by Bermuda. It is estimated that there is \$80 billion in Canadian funds in those countries. Interestingly, the biggest Canadian investment path has been to the United States. Statscan public reports do not indicate how much of that money goes to Delaware – recognized as one of the world's most active tax havens.

Tax Havens Also a Provincial Problem

The Tax Haven issue is being raised in this summer's Quebec election. Two organizations, le Réseau pour une justice fiscale and a working group of ATTAC-Québec are producing a short video, satirizing an Investissement Québec television commercial for the

province's Plan Nord. The original [ad](#) boasts the investment potential available to finance, mining and resource companies to develop a million square kilometres in the mineral rich northern part of Quebec. Opponents say some of the companies participating in the \$80 billion project have a doubtful record when it comes to funneling money through offshore tax havens, rewarding investors but sidelining contributions to government revenues which help support health care, education and economic development. They also question whether taxpayers will receive maximum benefit from the use of non-renewable resources. Since the federal government collects taxes on behalf of provinces, any loss of revenue because of tax havens means provincial governments lose out as well.

The Quebec provincial election takes place September 4.

Mitt Romney's Offshore Holdings: Great Publicity for Tax Havens Issue

Vanity Fair's recent [investigation](#) that discovered Republican candidate Mitt Romney is hiding millions of dollars in offshore bank accounts has the potential to thrust the issues of tax avoidance and foreign tax havens front-and-centre during this fall's 2012 U.S. presidential election.

The article written by Tax Justice Network's Nick Shaxson finds that Romney failed to report unspecified millions of dollars stashed away in foreign tax havens, including Switzerland, Luxembourg, Ireland, Bermuda, and the Cayman Islands where local laws limit transparency. Shaxson also draws compelling links between Romney's alleged tax avoidance schemes with Bain Capital's practice of closing American factories and shipping jobs overseas to highlight the central role of tax havens in enabling the growth of a broken and dysfunctional financial system.

The increased profile of the tax haven issue is also raising the profile of our tax justice allies in the United States. Rebecca Wilkins of Citizen's for Tax Justice has recently made [several appearances](#) on American news channels advocating for the need to close loopholes that allow tax dodgers to stash money offshore.

Meanwhile, the Obama campaign is poised to transform Mitt Romney into the poster boy of offshoring, framing the issue as detrimental to the economic recovery and fundamentally unpatriotic:

Finance Committee to Hold Hearings on Inequality

The House of Commons Finance Committee will be undertaking a major study on income inequality in Canada.

Liberal, New Democrat and Bloc MPs were joined by more than 20 Conservatives to support the motion passed by the House of Commons that directed the Finance Committee to study the issue. It was initiated by Liberal Finance Critic and Finance Committee Vice-Chair Scott

Brison. The mandate includes a review of federal and provincial personal income taxation and an examination of best practices that reduce income equality.

No doubt, part of the inspiration for all-party collaboration is due to recent national polls showing that 75 per cent of Canadians believe income inequality is a problem.

“This is a good opportunity for Canadians for Tax Fairness to work with its partners to highlight the role that fair taxation can play in reducing the gap between rich and poor in Canada,” says Dennis Howlett, C4TF Executive Director.

In pushing for the study, Brison, a former investment banker, noted that inequality is growing faster in Canada than in the United States.

“A study won’t fix the problem,” admits Brison, in an editorial in the Halifax Chronicle Herald. “But as a start, we need to understand it and then move toward building public policy that will address income inequality. We can reform Canada’s tax and transfer system to reduce the burden on low-income Canadians and help boost people over the welfare wall.”

The Finance Committee will be soliciting public input when it schedules its study of inequality sometime later in the fall. For more information you can contact Tisha Ashton, who is the Legislative Assistant to Scott Brison. She can be reached at scott.brison.a1@parl.gc.ca.

We will keep you posted as C4TF seeks the opportunity to present before the committee.

Four Reasons BC’s Carbon Tax is Working

The phrase ‘carbon tax’ has had an image problem. Critics like Stephen Harper have successfully portrayed it as a backdoor source of government revenue rather than a fund focused on environmental programs.

But a new report by a Canadian green economy think tank challenges this view.

Sustainable Prosperity analyzed the effects of the first four years of British Columbia’s carbon tax. Here’s what the report finds:

1. Drop in Fuel Consumption

Use of petroleum fuels covered by the carbon tax have dropped 15% since 2008.

2. No Effect on Growth

Despite predictions of a cataclysmic economic disaster, BC’s GDP has outpaced the rest of Canada since the carbon tax came into effect. This echoes results in seven other countries who’ve already made the shift to the carbon tax.

3. Lower Taxes

BC's carbon tax is 'revenue neutral'—its aim is not to take money out of taxpayer's wallets, its aim is to put a price tag on making the choice to pollute. Reducing pollution has generated \$300 million in savings since 2008. That money has been returned to BC taxpayers by way of income and corporate tax cuts.

4. Greenhouse Gases Declining

In only two years, BC's per capita greenhouse gas emissions declined by 9.9%, outpacing the rest of Canada by more than 5%.

Check out the full [report](#).

Canada Should Pursue Tax Cheats

Embassy Magazine recently published this [editorial](#) by our colleague Peter Gillespie of the Halifax Initiative.