



July 18, 2014

New Bill Aims to Stop Corporate Tax Avoidance

So here's a \$8 billion question: How do you stop Canadian multinationals like Cameco or Gildan from setting up subsidiaries in offshore tax havens so that they can avoid paying their fair share of Canadian taxes?

The short answer is that it has been very difficult, due in part to gaps in Canada's Income Tax Act.

NDP National Revenue Critic Murray Rankin has proposed new legislation, Bill C-621 that would make it easier for government and the courts to crack down on those who are playing the system. As he explains in this House of Commons speech, the law would require a corporation to justify "economic substance" in setting up subsidiaries in offshore storefronts. It is pretty solid stuff with input from some of the best legal tax minds in the country. I was happy to play a part by introducing Murray Rankin to Robert McMechan, an internationally recognized authority in tax law who wrote a book about this subject called ***Economic Substance and Tax Avoidance: An International Perspective***.

We'll be asking for your help in getting parliament to pass this legislation when they return from their summer break. In the meantime here's more background.

WHO REALLY BENEFITS?

One of our top jobs at Canadians for Tax Fairness is countering the “spin” about the benefits of tax cuts.

That spin was out in full force with media coverage of this [report](#) from the Parliamentary Budget Office which estimated \$30 billion in “costs savings” to Canadians since 2005. It went on to say that middle income Canadians got the most benefit.

Wrong.

The top 20 per cent of income earners saved \$10.9 billion, or 36 per cent of the total, while the bottom 20 per cent got \$1.9 billion, or only six per cent. On a pocketbook level, the lowest 20 per cent of income earners have gained less than \$500 in tax reductions, while the top 20 per cent have seen their taxes go down by almost \$2,000 a year.

We explain more in our [iPolitics opinion piece](#) and an interview in this [Canadian Press report](#).

MIND THE GAP

The mandate of the Parliamentary Budget Officer is to provide independent analysis to Parliament on the state of the nation's finances. Twice in the last 18 months, Liberal Senator Percy Downe has requested the PBO estimate the Tax Gap - the difference between what the government is owed and what it collects.



Tax gap information can point to areas where investing government resources to crackdown on tax cheats would pay off. Many countries including the UK and the US regularly use it to implement strategies to fight offshore tax evasion.

But not in Canada.

In a letter to the CRA Commissioner Parliamentary Budget Officer Frechette says:

“I am unable to fulfil part of my legislative mandate regarding analysis and research regarding the state of the nation's finances. This would also preclude analysis on two projects that have been requested by parliamentarians. I remain open to any other options you may have to resolve this impasse.”

After a long delay, the CRA briskly informed the Parliamentary Budget Officer, Jean-Denis Frechette, that they will not help with information.

Not a satisfactory answer.

How can you manage the country's finances or set tax collection priorities when you can't measure what's going missing? Canadians for Tax Fairness is not going to let this one slide.

Taxes a Key Issue in Ontario Election and Budget

Ontario Progressive Conservative leader, Tim Hudak campaigned for more corporate tax cuts and cuts to public service jobs. Premier Kathleen Wynne's message was clear: Important public services are worth the investment of our tax dollars.

Ontario's election results strongly suggest that voters see past the tax-phobic spin and know that pooling resources results in higher quality health care, pensions, education and other public services than if individuals bought these services themselves.

Canadians for Tax Fairness has been spreading this message for years. And right across the country, we've been hearing from people who have experienced the damage and the false economy inflicted by austerity policies.

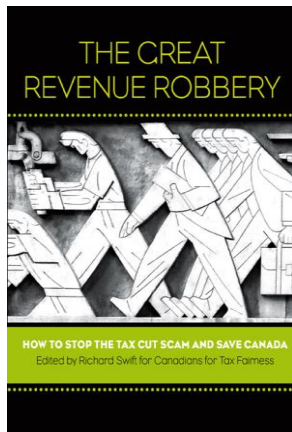
Commentator Linda McQuaig has [this analysis](#) of the election and the claims that public would not support higher taxes. It is worth a read.

Liberal leader, Kathleen Wynne, re-elected as Premier with a majority, promptly re-introduced a budget that increased social and physical infrastructure investments and boosted the taxes of the top 2%. Check out our analysis of the Ontario Budget in this [blog post on Huffington Post](#).

Worth reading....

Whether you are heading to the beach or to your balcony this summer, there are some pretty interesting books available to explain why tax fairness is important.

French economist Thomas Piketty's has become a best-selling author with [Capital in the 21st Century](#). It tackles a wide range of economic issues, including some pretty conclusive evidence about the importance of tax fairness. You can also hear a [CBC Sunday Edition interview](#) with Piketty [here](#).



[Tax is Not a Four Letter Word](#) has a Canadian perspective as Alex Himelfarb explained recently at a Tax Fairness evening in Ottawa. I had the pleasure of [reviewing the book](#) for The Catalyst Magazine.



And our own [The Great Revenue Robbery](#) is a series of essays that offer a new way to think about taxes. [Listen to an interview](#) with Tax Fairness' Dennis Howlett and Rabble Magazine.

International Tax Justice and Human Rights Symposium Held at McGill

Canadians for Tax Fairness co-sponsored with McGill University Faculty of Law, Halifax Initiative, Inter Pares and Oxfam an international symposium on tax justice in Montreal in June. It was a smashing success. One hundred

participants from across Canada and around the world shared information and perspectives about how taxation and human rights are connected.

You can find videos of many of the presentations that were made [here](#). There were many excellent presentations and it is hard to choose a few to highlight but these, in particular, may be worth viewing:

- [Attiya Waris \(Senior Lecturer, Faculty of Law, University of Nairobi\) Keynote Speech on Tax Justice and Human Rights](#)
- [Prof. Allison Christians \(McGill U. Faculty of Law\) on Who has Rights, What Rights and Against Whom](#)
- [Savior Mwambwa \(Policy and Advocacy Manager, Tax Justice Network – Africa\) on The Reform of the Global Tax System: Key Issues and Lessons from Africa](#)
- [Lee Sheppard \(Journalist, Tax Analysts\) OECD Initiative on BEPS process for international corporate tax reform](#)
- [Krishen Mehta \(Senior Advisor, Tax Justice Network\) Can Developing Countries Attract Investment and Still Get a Fair Deal on Tax Justice?](#)
- [Toby Sanger \(Board Member, Canadians for Tax Fairness\) Tax Justice and Climate Change](#)
- [Dennis Howlett \(Executive Director, Canadians for Tax Fairness\) Tax Justice Campaigns](#)



Your Support is Appreciated

Your commitment to tax fairness is the reason we keep in touch with you via this newsletter. You've helped us counter anti-tax rhetoric, propose workable solutions and advocate for a stronger Canada.

But if, you would prefer not to receive our e-newsletter (which we send out about four or five times a year) then, you can easily unsubscribe by clicking on the "unsubscribe" link in the footer below.

We depend on donations from our supporters to carry on our campaign. If you are able to [donate to support the work of Canadians for Tax Fairness](#), it would be greatly appreciated. Please note, however, that we are not a registered charity as much of our work involves lobbying for policy changes that would make our tax system fairer and more effective, and charities are restricted in how much political advocacy they are allowed to do. We are federally incorporated as a non-profit corporation and governed by a board of directors made up of respected policy analysts and campaigners.

Working with you, Canadians for Tax Fairness is changing the way Canada talks about taxes. We hope we can count on your support.

Regards,

Dennis Howlett, Executive Director
Canadians for Tax Fairness