



Stiffed!

The great TAX HAVEN rip-off
OR
How \$199B got away tax free

Canadian corporations keep cheating on us.

No matter how much we coddle them. They keep sending millions to offshore tax havens to avoid paying their fair share of taxes in Canada. The fact that Canada has the lowest corporate tax rate in the G7 countries makes no difference. The problem grows each year. The Harper Conservative government does little to stop it.

Walk down a street in Cayman Islands and you see small offices with hundreds of post boxes that are home to 18,000 shell companies—the tax-avoiding subsidiaries of corporations. The same scenario plays out in Luxembourg and other tax havens

Dennis Howlett
Canadians for
Tax Fairness

The Problem

In 2014, Canadian corporations had \$199 billion stashed in the top ten tax havens. It is likely much higher because it includes only “officially” reported funds and doesn’t account for money parked in havens by wealthy individuals.

Most of that money is untaxed. Federal and provincial governments lose at least \$7.8 billion each year from this tax haven tactic.

It takes smart people and good tools to track and investigate these cases. Cuts to the Canada Revenue Agency have weakened Canada’s ability to do a good job.

Tax havens compete with each other for clients looking for secrecy. They have resisted international efforts to ensure transparency and reform international corporate tax rules.

The difference between tax avoidance and tax evasion is the thickness of a prison wall.

Denis Healey
former UK Chancellor of
the Exchequer; reported
in *The Economist*,
Volume 354



The Perpetrators

Prime destinations for the money are Barbados (\$71B) and Cayman Islands (\$36B). In one year Canadians funnelled \$8B to those two havens.

Canadian corporate assets in Switzerland tripled between 2012 and 2014.

The financial and banking industry accounts for more than half the “investment” in tax havens. Royal Bank, TD, Scotiabank and HSBC have a major presence.

Montreal-based Gildan and Saskatchewan’s Cameco are companies who join Apple, McDonald’s, Starbuck and Koch Brothers in this practice.

Champion tax dodger

Another tax dodge pioneer was K.C. Irving of New Brunswick who in 1972 moved to tax-free Bermuda and placed ownership of his empire into a series of Bermudian trusts that have never paid taxes to Canada.

Most of New Brunswick is still owned by a series of tax-free Bermuda Trusts on behalf of the Irving family. Millions of dollars continue

to leave Canada daily, with minimal taxation, as long as their Canadian owners “live” offshore for more than half the year. There is evidence that at least 450 Canadians may be hiding money offshore.

Other countries lay tax fraud charges against individuals for having undeclared bank accounts in tax havens, but not Canada.

The Organization for Economic Co-operation and Development has crusaded against offshore havens for years and the G-7 and G20 have issued countless manifestos against the practice—without success.

Meanwhile, Canada lets its richest go offshore; allows the economy of a province to be owned by Bermudian trusts; and then leaves the rest of us to pay the tab every spring at tax time.



The Solutions

Canadians deserve political leaders who are willing to take on corporations unwilling to pay their fair share. Before you vote in the next federal election check your candidate’s position on:

- Automatic exchange of tax information with other countries
- A withholding tax of one per cent of all money sheltered in recognized tax havens
- Implementing a **Tax Gap study** as proposed by the Parliamentary Budget Office to clarify how much tax revenue Canadians are losing as a result of tax haven schemes
- Investing in more auditors for the Canada Revenue Agency and giving higher priority to countering aggressive tax planning practices.

Help us put an end to this damaging practice. **SHARE** this information with friends and colleagues. **WRITE** a letter to the editor of your favourite newspaper. **DONATE** to Canadians for Tax Fairness. We can’t give tax receipts. Charitable status would hinder our ability to speak out.

