

## **OPEN LETTER TO CANADIAN PREMIERS: TAKE ACTION TO SHED LIGHT ON SECRET COMPANIES**

On the Occasion of the Annual Meeting of the Council of the Federation  
July 20-22<sup>nd</sup> 2016, Whitehorse, Yukon

July 4, 2016

Dear Premiers,

We are writing to bring to your attention an urgent concern regarding the lack of transparency of the ownership of corporations and trusts in Canada. We urge you to use your annual meeting of the Council of the Federation, to take bold steps to tackle tax avoidance and fraud by committing to work together to develop a public, centralized registry of the legal and beneficial owners of Canadian companies and trusts. This commitment builds upon an [existing commitment](#) to centralize public information about Canadian companies.

The Panama Papers and other major corruption scandals share one common characteristic: they involve individuals or companies that use a complex web of anonymous companies and trusts to hide funds and avoid or evade taxation. That some can rig the system to hide their wealth, whether amassed legally or not, is not merely unjust; it also masks corruption and harms citizens in Canada and abroad by siphoning off revenues that could be directed to education, health care and infrastructure.

Transparency of beneficial ownership information can enable more effective compliance and enforcement measures and can help government tax agencies to increase revenues. It will also help to reduce the amount of 'dirty money' finding its way into Canada.

Both federal and provincial levels of governments regulate and collect a variety of information on corporations and trusts. The result is a complex and opaque system. This is one of the key reasons why Canada was marketed by Mossack Fonseca, the law firm at the center of the Panama Papers, as a good place to incorporate an anonymous shell company and why a federal government [risk assessment](#) identified Canadian corporations and trusts as highly vulnerable to money laundering and terrorist financing. The federal government report notes that this "vulnerability relates to the ability of these entities to be used to conceal the beneficial ownership, therefore facilitating the disguise and conversion of illicit proceeds."

Certain cities are feeling the direct effects of corporate secrecy, as numbered shell companies in Vancouver and Toronto snatch up real estate, turning neighborhoods where Canadians used to raise their families into vacant areas used to park offshore cash.

The problem of beneficial ownership secrecy is not small. In 2013, Global Financial Integrity estimates that over 1 trillion dollars in illicit funds crossed borders, while Canadians for Tax Fairness estimates that provincial and federal governments in Canada lose 8 billion dollars a year to tax havens. While the losses to Canadian governments and Canadian citizens are large, the solution is not expensive. A centralized, public registry of the

legal and beneficial owners of corporations and trust will allow ill-gotten gains to be more easily traced, making it more difficult and less attractive for people to benefit from the proceeds of crime.

It will also make it easier for financial institutions and law enforcement officials, amongst others, to quickly, and without additional cost, ascertain information about the legal and effective owners of companies and trusts. It is critical that efforts to centralize corporate information focus on 1) increasing the transparency of the beneficial ownership of corporations and trust in Canada and 2) make that information publicly available.

Non-public means of sharing beneficial ownership information require costly and laborious information sharing that slow criminal investigations and hinder efforts to crack down on tax evaders, inhibit public accountability, and exclude certain actors, such as securities commissions, from accessing vital information.

Despite repeated promises at the international level to address company secrecy, in [a recent evaluation by Transparency International](#), Canada's legal framework for beneficial ownership was ranked as 'weak.' This is in contrast to the UK, which was given the ranking 'very strong.' A centralized public registry of beneficial owners is an important step to ensure Canada fulfills its G7 and G20 commitments and supports global efforts to fight tax evasion and money laundering.

Establishing a centralized, public registry of the beneficial owners of corporations and trusts will require federal and provincial governments to cooperate. However, all governments (federal, provincial and territorial) have a lot to gain. Reforming the beneficial ownership registration regime is one of the key measures needed to stop tax haven related tax evasion and fraud and to fight money laundering.

Sincerely,



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Alesia Nahirny, Executive Director,  
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[Publish What You Pay Canada](#) has fifteen member organizations in Canada and is part of a global network of over 800 civil society organizations that campaign for a transparent and accountable extractive sector.

The [Canadian Labour Congress](#) is the largest labour organization in Canada bringing together dozens of national and international unions, provincial and territorial federations of labour and community-based labour councils to represent 3.3 million workers.

[Canadians for Tax Fairness](#) is a not-for-profit, non-partisan organization advocating for fair and progressive tax policies aimed at building a strong and sustainable economy, reducing inequalities and funding quality public services.

[Transparency International Canada](#) is the Canadian chapter of the world's leading non-government anti-corruption organization.

[MiningWatch Canada](#) acts as a watchdog of Canada's mining industry.