



## Tackle Tax Havens



### Why tackle tax havens?

International tax dodging costs Canada between \$10 billion and \$25 billion every year. The enormous uncertainty about how much Canadian governments lose is evidence of the scope of this problem.

The wealthiest individuals and most powerful corporations are able to exploit domestic tax laws and international tax regimes to shelter untold billions in tax havens.

The use of tax havens is almost exclusively for the benefit of the largest corporations and wealthiest people. Off-shoring Canadian wealth harms the Canadian economy and does little to benefit the residents of tax havens. Other countries are making progress, yet successive federal governments in Canada have dragged their heels.

There's much more Canada can do unilaterally and in collaboration with other countries.

We can introduce a minimum tax rate of at least 21% on the foreign profits of multinationals, not allow use of subsidiaries to shift profits, tax multinationals on their real economic activity in different countries, end double non-taxation agreements with tax havens, close some of the most widely used loopholes, introduce stronger penalties for tax evaders and promoters, and have better protections for whistle-blowers.

A lack of transparency means we do not know where multinational corporations are booking sales and profits, or paying taxes. Among the most immediate reforms that Canada could make is requiring that country-by-country financial reporting be made public.

We also need more resources for the Canada Revenue Agency to investigate and penalize tax avoidance.

Canada has lagged on making needed reforms. We can do more. It is time for Canada *to lead*.

### Who supports it?

- 92% of Canadians support making it more difficult for corporations to book profits in tax havens.
- A majority of supporters of every major party, and from every region, *strongly support* ending strategic use of tax havens.

Source: Abacus Data Survey 4 August 2021. Commissioned by the Broadbent Institute and the Professional Institute of the Public Service of Canada.

### What could we get?

**Increased health care funding:** Boosting the federal contribution to 50% of health care expenses would reduce the burden on the provinces. Average annual cost over three years: \$5.4 billion.

**Improved nature conservation:** An extra \$1.5 billion is needed to better manage protected land and marine areas, as well as fund additional research in climate and biodiversity science.

**...and much, much more!**

## How to tackle tax havens?

**International corporate tax reform:** The federal government should support and implement reforms of international corporate tax rules, including: a 21% minimum tax on the foreign profits of multinationals; treating multinational enterprises as single entities for tax purposes so they can't use affiliated companies to avoid taxes; and allocation of the profits of multinational corporations between jurisdictions based on real economic factors such as sales and employment, as we do between provinces in Canada.

**Increased investment in the CRA:** Cuts to the CRA by previous governments undermined its ability to investigate the complex tax information of the wealthiest individuals and most powerful corporations. Investments in compliance and enforcement by the CRA are estimated to yield a return of five to ten dollars for every dollar invested.

**Stronger penalties for tax evaders:** Canada levies relatively low penalties for those guilty of international tax evasion and against companies and professionals who promote tax evasion schemes, so there's little deterrent. While other countries have successfully recovered money from evaders exposed in the Panama and Paradise Papers, Canada has yet to charge a single individual.

## Ending double non-taxation agreements with tax havens:

Canada has signed tax agreements and conventions with a number of different tax havens, which enable individuals and corporations to bring their income back into the country without paying tax, either in the tax haven or back in Canada. Wealthy Canadians and corporations have hundreds of billions in these tax-exempt havens. The Department of Finance estimates that exempting non-residents from withholding taxes costs the federal government over \$7 billion annually.

**Increased transparency:** We have insufficient quantity and quality of public information available on the financial conditions and taxes paid by individuals, corporations, and trusts. The federal government should improve the quality, detail and timeliness of financial and tax information that is publicly available. Among many other benefits, this would improve our ability to identify improper use of tax havens.

## How much could we raise?

Revenue Est.	MEASURE
\$11 billion +	International corporate tax reform
\$3 billion	Increased investment in CRA and higher penalties
<b>\$14 billion +</b>	<b>Total</b>

## Take Action!

### The 2021 federal election is under way!

- On 20 September, vote for candidates who make strong commitments to tax fairness!
- Read our [Platform for Tax Fairness](#): policies to make our tax system fairer, reduce inequalities, and generate revenue.
- Follow our coverage at [taxfairness.ca](http://taxfairness.ca).
- Talk to your family, friends and colleagues about fair taxation, and why these issues will influence your vote.
- Directly ask your local candidate directly to support these fair tax measures.
- Let politicians know that fair taxation is a big priority for you.
- Write letters to the editor.
- Call into radio stations.

## Support us!

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Canadians *for*  
**Tax Fairness**

Canadiens pour une fiscalité équitable