



Pandemic Profits and the Public Purse

Tax dodging and wage subsidies in 50 firms

By D.T. Cochrane

HIGHLIGHTS

- 50 of Canada's largest companies made record profits in 2020
- At least 7 of these companies, or their subsidiaries, collected federal wage subsidies through the CEWS program
- 104 high-profit Canadian companies had pandemic profit margins greater than their historical averages
- 37 of the record-setting companies had an effective tax rate below their combined federal-provincial statutory rate
- 34 of the companies had at least one identified subsidiary in a tax haven
- Cash-holding increased for 39 of the companies by a combined C\$26.4 billion

Canadians for Tax Fairness has identified 50 Canadian companies that reaped record profits in 2020. The companies collectively added \$13.4 billion to their bottom line. At least seven of the record-setting companies, or their subsidiaries, collected the Canadian Emergency Wage Subsidy (CEWS).

Almost three quarters of the 142 companies examined—those with over CAD\$100 million in annual profit — had higher profit margins in 2020 than their average margins over the previous 20 years.

Thirty-seven of the 50 record-setting companies had effective tax rates (ETR) below their combined provincial and federal statutory corporate income tax rate. Five of the companies either paid no income tax or recorded a net tax benefit. Six of the seven CEWS recipients had an ETR below the statutory rate.

More than two-thirds of those with record profits had at least one subsidiary in a known tax haven, which may explain some of the lowered income tax bills.

Thirty-seven of the companies increased their dividend payout by a combined \$3.6 billion.

PROFITEERING C.E.W.S. RECIPIENTS

C4TF identified seven of the record-profit making companies, or their subsidiaries, as receiving federal CEWS subsidies. The leader among the seven was **Couche-Tard**, which is controlled by Quebec billionaire Alain Bouchard. The other six were **CCL Industries**, **Tourmaline Oil**, **Alamos Gold**, **Canfor**, **Interfor**, and **Enghouse Systems**.

The first four—Couche-Tard, CCL, Tourmaline, and Alamos—also have an identified subsidiary in a known tax haven jurisdiction. Additionally, those four increased their dividend payout in 2020.

That means it is possible these companies are avoiding paying taxes, while collecting a government subsidy, for the benefit of their shareholders.

RECORD-SETTING REITs

There are five real estate income trusts (REITs) among the record setters, including residential REIT **Minto Apartment**, which is controlled by the billionaire Greenberg Family.⁽¹⁾ The five REITs increased their combined profits from \$427 million to \$1.2 billion, while their combined taxes fell by 80%.

BIGGEST GAINS

The recently privatized **Hydro One** had the largest increase in profits, adding \$992 million to its bottom-line. Close behind were **Couche-Tard**, with an extra \$914 million, and **Power Corp.**, which added \$886 million. **Minto** was the winner in percentage terms with an 800% increase from \$20 million to \$180 million.

Ten of the companies turned 2019 losses into 2020 gains. The biggest turn-around was **Centerra Gold**, which went from a \$123 million loss to a profit of \$545 million.

PROFITS AND CASH-HOLDINGS

Record profits during a pandemic led 39 of the record-setters to increase their cash-holdings by 58% to \$71.9 billion. More than half the increase in cash holdings are attributable to **Manulife**, **Shopify**, and **Couche-Tard**, which added \$7.4 billion, \$5 billion, and \$3.2 billion to their coffers, respectively.

According to our research, over one-third of the 142 corporations analyzed are enjoying record profits. Some are doing so with public subsidies. In many cases, these record profits are also being achieved after decades-long increases in profit margins.

Our governments have taken on record deficits to keep Canadians safe and solvent during the pandemic. We now face the challenges of paying for the past and on-going costs of the pandemic, as well as the on-going climate crisis.

It is highly problematic that dozens of Canada's largest corporations were able to pad their bottom-lines and send more money to shareholders, yet somehow reduce their tax bills, at the same time as governments posted record deficits to keep the economy functioning.

How can this situation be remedied? This report shows some obvious places to start.



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POLICY RECOMMENDATIONS

To promote a more inclusive recovery, we recommend three measures the federal government should introduce, to ensure that the pandemic's most profitable firms cover a greater share of the costs.

1. Introduce an excess-profits tax

Canada can learn from past experiences in financing international crises, such as WWI and WWII. The federal government introduced an excess-profits tax during these wars of up to 80% on excess profits of Canadian corporations. These taxes often raised more than the general corporate income tax at the time. The Parliamentary Budget Officer found that an exceedingly modest one-time excess profit tax—applied to companies with a higher than normal profit margin in 2020—would bring in \$8 billion.⁽²⁾

Even the IMF is recommending governments consider adding an excess profit tax to their fiscal toolkit as they continue to deal with the financial fallout of the pandemic.⁽³⁾ National polling by Abacus Data found a large majority of Canadians support the idea of an excess profits tax on corporations to help pay for a bold recovery plan.⁽⁴⁾ In times of crisis, fairness requires that larger corporations doing extraordinarily well, while so many others are struggling, contribute more.

2. Restore corporate tax rates

Over the past 25 years, the effective rate that corporations pay on their taxable income has been cut in half. Decades of corporate tax cuts have eroded government revenues and contributed to wealth inequality with little in return for workers or the economy. Defenders of these cuts promised the benefits would 'trickle down' in the form of investment and jobs.

However, investment in productive capacity has continued to fall even as corporations benefited from rate cuts.⁽⁵⁾

Studies have documented how corporate tax cuts trickle up, rather than down, leading to increased corporate concentration and power, rising cash balances for larger corporations, record share buybacks and dividend payments, as well as sky-rocketing CEO pay.⁽⁶⁾ Restoring corporate tax rates would help address worsening inequality and its social harms.

U.S. Treasury Secretary Janet Yellen pledged to increase the U.S. federal tax rate from 21% to 28%, well-above Canada's rate.⁽⁷⁾ The Canadian government should seize this opportunity to reverse years of regressive corporate tax cuts and also significantly increase our corporate tax rates.

3. Increase transparency and accountability

Record profits by large corporations raise questions about how they achieved this feat during a pandemic, as well as questions about who the ultimate beneficiaries are.

When the federal government first announced its CEWS program, Canadians for Tax Fairness called for greater transparency and accountability attached to this spending.⁽⁸⁾

CEWS was intended to help workers by providing companies with funding to retain jobs. However, media investigations have identified many companies that collected the subsidy, while enjoying high revenue and profits, and continued to make share buybacks and distribute dividends.⁽⁹⁾

It should not require significant investigative work by reporters to uncover how corporations spent public money. To ensure CEWS, and all other government funding for business, goes to supporting workers, not making shareholders richer, the federal government should publish further details on which businesses received federal support.

As we recommended early in the pandemic, corporations that received federal aid should be prohibited from engaging in corporate stock buybacks, executive bonuses, golden parachutes, and shareholder dividend payouts for at least one year. Companies that engaged in these activities should return federal funding.

The requirement for greater corporate transparency extends beyond public funds and the pandemic. With the latest federal budget, the government pledged to

establish a beneficial ownership registry. This is a great first step. However, Canada lags other countries in terms of corporate disclosures.

This report was limited by the lack of information on Canadian subsidiaries of multinational corporations. With significant portions of Canada's economy taking place under corporate management, Canadians deserve greater openness.

ENDNOTES

1. Dream Industrial, Minto Apartments, Northwest Healthcare, Summit Industrial, WPT Industrial.
2. Canada could gain \$8 billion from excess profits tax, says PBO. D.T. Cochrane, C4TF, 29 April 2021. <https://www.taxfairness.ca/en/news/canada-could-gain-8-billion-excess-profits-tax-says-pbo>
3. IMF calls for progressive taxes on wealth and excess profits, Toby Sanger, C4TF, 29 April 2021. <https://www.taxfairness.ca/en/news/imf-calls-progressive-taxes-wealth-and-excess-profits>
4. Abacus Data survey, Nov 19, 2020: <https://abacusdata.ca/wealth-tax-canada-poll/>
5. Corporate Income Tax Freedom Day Report, Toby Sanger, C4TF, 7 January 2020, p.6. <https://www.taxfairness.ca/en/resource/corporate-income-tax-freedom-day>
6. Fifty years of tax cuts for rich didn't trickle down, study says, Bloomberg, 15 Dec. 2020: <https://www.bloomberg.com/news/articles/2020-12-16/fifty-years-of-tax-cuts-for-rich-didn-t-trickle-down-study-says>
7. President Biden shows dramatic leadership on progressive tax reforms—challenging Canada to do the same, Toby Sanger, C4TF, 29 April 2021. <https://www.taxfairness.ca/en/newsletter/2021-04/president-biden-shows-dramatic-leadership-progressive-tax-reforms%E2%80%94challenging>
8. Stronger terms needed to keep public dollars from helping tax dodgers, Erika Beauchesne, C4TF, 11 May 2020. https://www.taxfairness.ca/en/press_release/2020-05/media-release-stronger-terms-needed-keep-public-dollars-helping-tax-dodgers
- 9.A. FP Investigation: As CEWS flowed in, dividends flowed out. Financial Post, 7 Dec 2020. <https://financialpost.com/investing/fp-investigation-as-cews-flowed-in-dividends-flowed-out>
- 9.B. "Wage Subsidies Were Meant to Preserve Jobs. In Many Cases, the \$110.6-Billion Response Padded Bottom Lines." Globe & Mail, 8 May 2021. <https://www.theglobeandmail.com/business/article-canada-emergency-wage-subsidy-data-analysis/>
- 9.C. Wealthy Hedge Funds, Money Managers Received Canada Emergency Wage Subsidy, Globe & Mail, 10 May 2021. <https://www.theglobeandmail.com/business/article-wealthy-hedge-funds-money-managers-received-canada-emergency-wage/>

APPENDIX : 50 corporations with record-profits

2020 \$M: Total profits in 2020 (millions, Canadian dollars) // **ETR:** Effective Tax Rate // **CEWS:** Whether or not the company received the Canada Emergency Worker Subsidy // **THS:** Whether or not the company has an identified subsidiary in a tax haven.

	COMPANY	Prov.	\$M in 2020	ETR	CEWS	THS
1	Manulife	ON	\$5,871	18%		Yes
2	TC Energy	AB	\$4,616	4%		Yes
3	Couche-Tard	QC	\$3,650	20%	Yes	Yes
4	CPR	AB	\$2,444	24%		Yes
5	Power Corp	QC	\$2,046	2%		Yes
6	Hydro One	ON	\$1,788	-78%		
7	Kinross Gold	ON	\$1,769	25%		Yes
8	E-L Financial	ON	\$1,163	15%		
9	Intact Financial	ON	\$1,082	20%		Yes
10	Kirkland Lake Gold	ON	\$1,061	32%		
11	Algonquin Power	ON	\$1,022	8%		Yes
12	Emera	NS	\$983	26%		Yes
13	B2Gold	BC	\$839	35%		Yes
14	Empire Co	NS	\$707	27%		
15	Wheaton Precious Metals	BC	\$681	0%		Yes
16	Agnico Eagle Mines	ON	\$674	34%		Yes
17	Tourmaline Oil	AB	\$618	0%	Yes	Yes
18	Constellation Software	ON	\$584	28%		Yes
19	Dollarama	QC	\$564	26%		
20	Senvest Capital	QC	\$554	6%		Yes
21	Centerra Gold	ON	\$545	2%		
22	Canfor	BC	\$544	22%	Yes	
23	CCL Industries	ON	\$530	24%	Yes	Yes
24	Shopify	ON	\$419	-35%		Yes
25	Northland Power	ON	\$361	19%		Yes
26	Northwest Healthcare Properties	ON	\$314	4%		Yes
27	WPT Industrial REIT	ON	\$297	-2%		Yes
28	Canadian General Investments	ON	\$289	0%		
29	Interfor	BC	\$280	24%	Yes	
30	Dundee Precious Metals	ON	\$264	9%		
31	Ritchie Bros Auctioneers	BC	\$228	28%		Yes
32	Labrador Iron Ore Royalty	ON	\$227	19%		
33	Equitable Group	ON	\$224	26%		
34	Stella-Jones	QC	\$210	26%		Yes
35	Summit Industrial Income REIT	ON	\$207	0%		
36	Dream Industrial REIT	ON	\$200	4%		Yes
37	Alamos Gold	ON	\$188	35%	Yes	Yes
38	Minto Apartment	ON	\$180	0%		
39	Guardian Capital Group	ON	\$179	11%		Yes
40	Leon's	ON	\$163	22%		Yes
41	AbCellera	BC	\$153	25%		Yes
42	Canaccord Genuity	BC	\$152	26%		Yes
43	China Gold International Resources	BC	\$146	9%		Yes
44	The North West Company	MB	\$140	25%		Yes
45	Telus International	BC	\$138	32%		
46	Torex Gold	ON	\$137	40%		Yes
47	Goeasy	ON	\$137	25%		Yes
48	FirstService	ON	\$117	25%		Yes
49	Enghouse Systems	ON	\$103	19%	Yes	
50	Sunopta	ON	\$100	5%		Yes

METHOD

Canadians for Tax Fairness used the S&P Compustat database to identify Canadian corporations with more than C\$100 million in profits (Compustat code NIQ) in the 2020 calendar year. This netted 142 companies, which were analyzed historically to compare total profits, going back to 1980. Cash-holdings were compared between fourth quarter figures for 2020 and 2019 from Compustat code CHE, which is 'cash and cash equivalents.' The presence of subsidiaries in tax havens was based on the companies' 'Annual Information Circular' and a list of known tax havens. More details on the limits of this method, primarily that it results in under-identification, can be found in C4TF's report ['Bay Street and Tax Havens: Curbing Corporate Canada's Addiction.'](#)

NOTE

The results for CEWS recipients may be incomplete due to the complex ownership structures of many of the companies on the list. ETR was calculated using Compustat codes TXTQ and PIQ, for income tax and pre-tax income, respectively.

ABOUT CANADIANS FOR TAX FAIRNESS

Canadians for Tax Fairness is a non-profit, non-partisan organization that advocates for fair and progressive tax policies, aimed at building a strong and sustainable economy, reducing inequalities, and funding quality public services.

ABOUT D.T. COCHRANE

D.T. Cochrane has graduate degrees in economics, as well as in social and political thought. He has researched and written about a range of topics including pipeline finance, big tech, and corporate power. Although he grew up on a ranch in Saskatchewan, D.T. currently lives in Peterborough with his partner and children. When he's not figuring out new ways to use pivot tables, he can be found reading fiction, taking photos, and trying to enjoy outdoor activities.