

2018-19

**ANNUAL
REPORT**

Canadians for Tax Fairness



About Us

Canadians for Tax Fairness is a not-for-profit organization that advocates for fair and progressive tax policies aimed at building a strong and sustainable economy, reducing inequalities and funding quality public services. We were founded in 2011 by a coalition of individuals from labour, international development and community organizations, academics and lawyers.

We are governed by a board of directors, with representation from across Canada, and benefit from the experience and expertise of our national advisory council and a technical advisory committee.

We strive to raise public awareness on crucial issues of tax justice and to establish fairer tax systems where all individuals and

corporations pay their share. Canadians for Tax Fairness is non-partisan and not a registered charity, so we can continue to advocate strongly and freely for tax fairness with all governments and politicians.

We are changing the way Canadians talk about tax. We conduct research, do public outreach, advocate through the media, and put pressure on politicians and governments to implement policies that will make our tax system fairer.

Canadians for Tax Fairness also works closely with tax justice allies around the world in the international movement to end tax havens, curb global tax competition, and to fund sustainable development.



WE ADVOCATE FOR A PROGRESSIVE SYSTEM THAT:

Is transparent, simple, and accessible and treats ordinary Canadians in a fair and just manner

-Contributes to Canada's economic, social and environmental well-being

-Closes tax loopholes for the wealthiest

-Ends the race to the bottom on corporate tax rates

-Reduces tax avoidance and evasion through tax havens and international measures

-Raises funds necessary for quality public services

Letter from the executive director

I started as executive director of Canadians for Tax Fairness in the fall of 2018. It's been a busy and exciting time—and the coming year promises to be a pivotal year for tax fairness, with the federal election and the potential for significant international tax reform. In its first seven years, Canadians for Tax Fairness (C4TF) has very successfully put issues of tax fairness on the political agenda. This is thanks to the leadership of former executive director Dennis Howlett and our other talented and hardworking staff, the commitment of our board, collaboration with allies, and the activism of our thousands of supporters. And of course, none of it would be possible without the generous support of funders, big and small.

In advocating for fairer taxes from the wealthy and corporations, we're up against those with much deeper pockets and wealthier backers, such as the Canadian Taxpayers Federation, which has an annual budget more than 20 times ours. Yet despite our small size, we've had an outsized influence. In a classified memo, the federal finance department listed Canadians for Tax Fairness at the top of their list of influential stakeholders on tax fairness issues. But we've got big challenges ahead. Alberta Premier Jason Kenney is planning to cut Alberta's general corporate tax rate by a

third, to 8%, which will cost the province over \$1.5 billion a year in revenues. Doug Ford is also planning to cut corporate tax rates in Ontario. Both these Premiers are cutting hundreds of millions from important public services to finance tax cuts for large profitable corporations. We've made strong arguments why this is a bad idea, and why corporate tax cuts won't trickle down, but we need to fight back and amplify these points.

The federal election this year is a once-every-four-year chance to establish another mandate for the federal government. Taxation will be a major issue in the election campaign, with clear differences between political parties already apparent. We're prepared with a tax fairness platform that shows how the federal government could generate many billions more annually by making the tax system fairer and simpler—but we're going to need help to get these messages out.

We'll also continue to be very active at the international level because these rules have a big impact on what individual nations including Canada can do. We have an extraordinary opportunity over the next year to reform the international corporate tax system, which was recently described by the head of the International

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Monetary Fund (IMF) as “fundamentally out of date”.

The far-reaching reform proposals we've advocated with our tax justice allies are now being very seriously considered by the IMF, the Organization for Economic Development (OECD) and major nations. At stake is the estimated US\$650 billion in annual revenues that nations lose from large corporations shifting their profits to tax havens and low tax jurisdictions. There will be a fight back, but we've never been this close to comprehensive international tax reform and we're going to need to push hard to achieve it.

Thank you very much for your support,



Toby Sanger, Executive Director

Closing tax loopholes

Our tax system is riddled with expensive and unfair loopholes that primarily benefit the affluent. Analysis by the [Canadian Centre for Policy Alternatives](#) has shown that not only do these loopholes mostly reward high incomes, but their benefits also primarily go to men rather than women.

Thanks to ongoing campaigning and lobbying efforts, we have made progress in recent years to eliminate and limit some of the most regressive loopholes.

Every federal budget since 2016 has [included some measures to close tax loopholes](#). The current government started out strong, cancelling family income splitting, and planning to restrict the use of private corporations for tax avoidance. We launched a campaign in support and achieved some positive changes, but they were watered down in the face of a coordinated and well-financed campaign by business lobby groups opposing them.

In its 2019 budget, the Liberal government finally outlined plans to limit the stock option deduction, top of our list as the most regressive tax loophole. We welcome this commitment, but are concerned they will only partially close the loophole. There's no reason those who

“POLICY MAKERS ARE CLEARLY RESPONDING TO OUR CAMPAIGN AND PUBLIC PRESSURE BUT THERE IS MUCH MORE TO BE DONE.”

benefit from stock options should pay lower taxes than the rest of us do on our working income. We were also encouraged to see the federal NDP recently commit to limit the larger capital gains restoring the inclusion rate to 75% from the current rate of 50%.

Policy-makers are clearly responding to our campaign and public pressure, but there is much more to be done. As we outlined in our [pre-budget submission](#) and [again before the federal budget](#), closing just a few of these unfair and ineffective tax loopholes while

making the tax system simpler could generate over \$20 billion in additional revenue annually for the federal government and many billions more for provincial governments, without raising taxes for the vast majority of Canadians.

This would be enough in this coming year to eliminate the federal deficit and provide funding for additional programs. We need to keep the pressure on both federal and provincial governments to close these unfair loopholes and will make this a major priority in our federal election platform, advocacy and campaigns.



Tackle tax havens

Canadians for Tax Fairness has led the Canadian movement to tackle tax havens, along with our Quebec partner Échecs aux Paradis Fiscaux. This issue achieved front page coverage as the Panama Papers, Paradise Papers and other leaks have revealed the extent to which tax havens are used and abused by the wealthy, corporations and criminals to hide their assets and to avoid and evade taxes.

The wealthy and corporations hold at least 9 percent of Canada's total financial wealth offshore, resulting in at least an annual \$8 billion loss in government revenues. The situation is even worse for developing countries, with an estimated 30% of Africa's financial wealth held offshore and their governments losing more to tax havens and illicit financial flows than they receive in international development assistance.

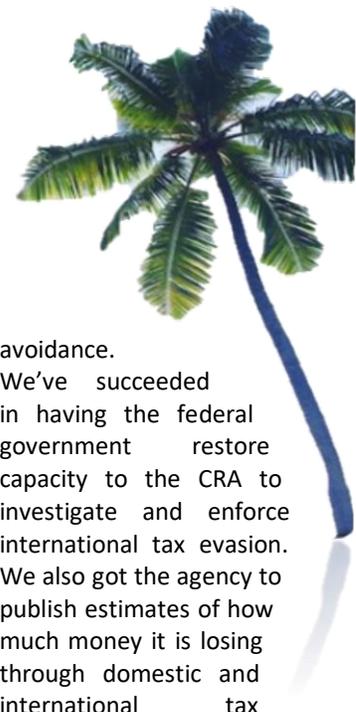
We first raised the issue of the Canada Revenue Agency (CRA) cutting back its offshore audit and enforcement capacity in our 2015 report [What's Wrong with the CRA and How to Fix It](#). Our 2017 report [Bay Street and Tax Havens](#) revealed the rampant use of tax havens by corporate Canada: 56 of top 60 companies listed on the Toronto Stock Exchange have over 1,000 subsidiaries in known tax havens.

A poll we commissioned found that 87% of Canadians agreed that the government should

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change laws to make corporate use of tax havens illegal. A survey by the Professional Institute of the Public Service of Canada found over two-thirds of CRA professionals—those who are charged with enforcing our tax laws—believe that Canadian rules related to setting up offshore corporations or tax accounts are too lenient and should be reformed. This past year, the Auditor General of Canada confirmed these findings in its report on the CRA, which found that the agency has been more lenient with corporate and offshore cases than when pursuing ordinary Canadians for taxes owed.

We are achieving progress. As a result of pressure from tax justice groups worldwide, OECD countries including Canada are implementing reforms including automatic exchange of tax information and country reporting by multinationals. Each recent federal budget has included some measures to crack down on tax evasion and combat tax



avoidance.

We've succeeded in having the federal government restore capacity to the CRA to investigate and enforce international tax evasion. We also got the agency to publish estimates of how much money it is losing through domestic and international tax evasion, through its Tax Gap reports. But much more needs to be done and this coming year will be crucial.

There is now an opportunity for real substantial progress through the G20 and the OECD over the coming year, and we'll strongly advocate for these changes with our international tax justice allies.

End ‘snow-washing’

Canada has unfortunately become a destination for international money laundering, the Canadian variant that is now internationally known as “snow-washing”. We’ve become a major centre for money laundering because we have the weakest corporate transparency rules among all G20 countries, according to Transparency International.

Our lax laws allow the real owners of companies, real estate and trusts to remain secret. This allows criminals, tax evaders and terrorists to hide their financial activities and convert their money into seemingly legitimate assets. Real estate properties in Vancouver, Toronto, Montreal and other Canadian cities have become favoured vehicles for international money laundering. This has driven up housing prices as many of these foreign-owned properties remain vacant. In late 2017 Canadians for Tax Fairness started a joint campaign with Transparency International Canada and Publish What You Pay Canada coordinated by Sasha Caldera to get our governments to create a centralized and accessible public registry of true or “beneficial” owners of

corporations, real estate and trusts. Having an open accessible registry would not only prevent money laundering and terrorist financing activities, but reduce tax evasion and corporate corruption as well. Other regions, including the UK and European Union countries have already committed to lift the shrouds of secrecy by establishing public registries of the beneficial owners of corporations.

We are already making progress. In its [2018 budget bill](#), the federal government took the first steps to establish a registry by requiring federally-incorporated corporations and trusts to keep records of who their beneficial owners are—but this was just one step forward. The registry needs to be national, including provincial information, centralized, public and accessible.

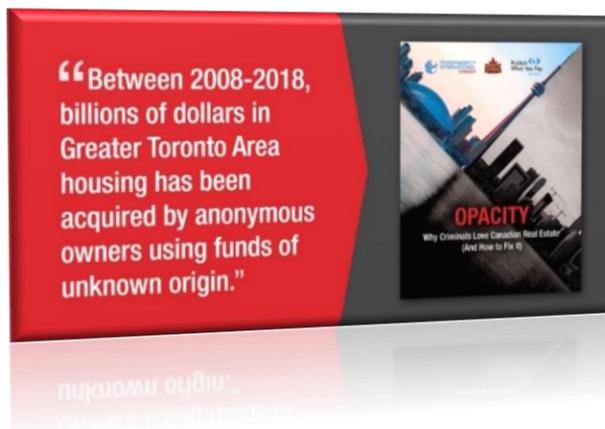
In early 2019, we published a research report with our partners that revealed the extent of anonymous ownership in Toronto’s real estate that garnered considerable media attention, *“Opacity - Why Criminals Love Canadian Real Estate (And How to Fix It)”*

“Politicians are clearly aware of the problem and how it should be fixed. What we need now is for them to translate this into concrete action.”

building on the 2016 study ‘No Reason to Hide: Unmasking the anonymous owners of Canadian companies and trusts’ which shone a light on role of money laundering in Vancouver real estate.

As a result of our strong advocacy on this issue, the BC government has [released reports](#) that reveal the extent of Canada’s money-laundering problem and made a commitment to establish a public beneficial ownership registry. We are making progress convincing other provinces and Ottawa to do so as well. We’ve been working closely with anti-money laundering experts, lobbying governments, getting key private sector organizations in support, and achieving a lot of media attention. The federal government is responding to our pressure. It recently announced open consultations with the provinces and territories to explore the benefits of a public registry. Politicians are clearly aware of the problem and how it should be fixed. What we need now is for them to translate this into concrete action.

Go to our new website www.endsnowwashing.ca to lend your voice and help support our campaign for greater corporate transparency.



Level the digital playing field

Your local bookstore or video store—if you still have one—probably paid more corporate taxes in Canada than Facebook, Amazon, Netflix or Google did, despite being some of the largest and most profitable companies in the world. These foreign digital giants can easily exploit Canadian and international tax rules to minimize their taxes, both in Canada and around the world.

This tax preference for foreign internet giants hurts us twice over, by depriving our governments of hundreds of millions in revenues, and by undermining Canadian producers. Digital services are no longer a niche area and now also include billions spent by Canadians on advertising through Google, Facebook and others, and any service sold through an international e-commerce platform, such as Uber or Lyft rides, lodging through AirBnB and much more.

As the dramatic shift to online advertising puts more money into the pockets of these giants, Canada's struggling print and traditional media sector continues to lose revenue to powerful multinationals that have a made-in-Canada tax advantage over domestic producers, and generate no original content, instead taking it from the same media producers that they're also taking advertising dollars from. As a result we've seen thousands of



jobs lost, dozens of outlets closed in the media sector, and many businesses in other sectors also struggling.

C4TF has campaigned with other allies to level the digital playing field so Canadian producers can remain competitive and we can maintain a vibrant media and culture sector. We've published opinion pieces in major papers, lobbied politicians and senior government officials, and conducted public campaigns. Quebec became the first province in Canada this year to introduce a sales tax on digital companies such as Netflix and Amazon, followed by Saskatchewan. Quebec now estimates its revenues from these measures will be double their initial expectations.

This isn't just a Canadian problem: the OECD identified taxation of the digital economy as the top priority in its BEPS action plan in 2013. Since then, the overwhelming number of OECD and G20 countries have taken

action in different ways on this issue, but regrettably the Canadian government is one of the very few that haven't.

But there's good potential for progress this coming year. The

“This tax preference for foreign internet giants hurts us twice over, by depriving our governments of hundreds of millions in revenues and by undermining Canadian producers.”

House of Commons Trade Committee took our advice and urged the federal government to tax foreign e-commerce companies. The Auditor-General also recently took the federal government to task for not acting on this issue.

Other issues we've been working on

Corporations pay your fair share. This coming year we are launching another priority campaign -- getting corporations to pay their fair share of taxes. Canada's nominal corporate tax rate is about half what individuals pay, which contributes to income shifting and tax avoidance, while many corporations pay far less. Steep cuts to corporate tax rates over the past two decades haven't led to higher business investment; on the contrary, investment rates have declined, while corporate profits and cash surpluses have surpassed record levels and rates. Yet the governments of Ontario and Alberta are planning to cut corporate tax rates further. We're going to fight back, exposing how little major corporations pay and how ineffective corporate tax cuts have been.

Progressive environmental and carbon taxes. Climate change is advancing at an alarming rate. Now, more than ever, we need strong policy solutions that come down hard on large polluters while assisting vulnerable populations to transition to a more sustainable economy. Canadians for Tax Fairness has long advocated for a progressive carbon tax. We were encouraged to see the federal government adopt a system largely consistent with our recommendations for households, with a large majority of households better off after receiving the carbon tax rebate. However, the federal carbon tax system is light on large emitters and needs to be significantly strengthened. Carbon taxes are only a small part of the solution. We need a wide range of measures to address the problem. Canada needs to stop subsidizing the fossil fuel industry and make bigger investments in green technologies, infrastructure and employment, and in a just transition.



Gender tax justice. While the federal government has put a lot of emphasis on gender equality, until recently it hasn't addressed the tax side of this. Most tax loopholes provide much larger benefits to men than to women. We're collaborating with Inter Pares and international gender tax expert and Queens Law professor Kathleen Lahey on a SSHRC-funded project on gender tax justice in developing countries. Our partner, the Global Alliance for Tax Justice, is also putting a major priority on gender tax justice.

Tax fairness for low and middle incomes and working families. While our major emphasis has been on pushing for the affluent and corporations to pay their

fair share of tax, we also advocate for more progressive tax measures for lower and middle incomes. But progressive tax policies and tax benefits don't do any good if those entitled to these benefits don't receive them—and many don't. We've pushed for the CRA to make tax filing easier and simpler, including introducing

pre-filled tax forms. This would make tax filing easier and more accessible for most of us, saving Canadians millions of hours and billions of dollars that they spend on filing their taxes, while helping everyone receive the important benefits and credits that they need.

Paying for Pharmacare: A national pharmacare program, what it would look like and how to pay for it, will be an issue in the coming election. C4TF executive director, Toby Sanger and David Macdonald of the Canadian Centre for Policy Alternatives, published a report that analyzes different options of paying for a national program and how it would affect different households. [A Prescription for savings](#) outlines how progressive funding options would leave a large majority of Canadian households better off.



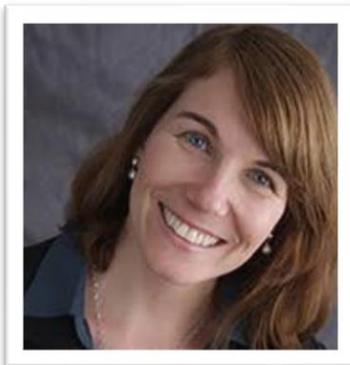
Goodbye to C4TF staff



Former Director Dennis Howlett

On behalf of all staff and board members, both past and present, we would like to thank our former executive director, Dennis Howlett, for all the work he did establishing Canadians for Tax Fairness as a recognized and credible voice for tax justice, and for his ongoing commitment and contributions. Even in retirement, he continues to campaign for fairer taxes through his involvement with the Global Alliance for Tax Justice and in many other areas.

Last year we also said goodbye to Diana Gibson, our former communications director, who also contributed much in research and policy depth. Diana was responsible for our 2017 report, [Bay Street and Tax Havens](#), the organization of the Canadian Coalition for Tax Fairness to



Diana Gibson, past communications director

counter anti-tax business lobbyists, and the research and writing of numerous media materials, from fact sheets and blogs to op-eds, breaking down complicated tax policy into accessible messages for the media and public.

Thank you for your expertise and dedication in spreading the tax fairness movement and engaging Canadians far and wide.

IN THE MEDIA

Canadians for Tax Fairness continued to challenge powerful anti-tax voices through coverage in news stories and carefully placed opinion pieces.



C4TF DIRECTOR TOBY SANGER IN READER'S DIGEST MAGAZINE

From early 2018 to early this year, there were more than 400 mentions of our work across all sectors of media, from print and radio to television and magazines. C4TF is also working to improve internal communications with our growing network of supporters. We launched a newsletter in February with highlights of tax fairness news and the response has been encouraging. If you haven't already signed up to receive it, you can do so [here](#) or by emailing us at communications@taxfairness.ca We also encourage readers to submit their ideas and feedback.

Financial statements

REVENUE	2016	2017	2018
Donations	145,906	115,155	129,661
Global Alliance for Tax Justice	116,761	100,686	45,611
Beneficial ownership transparency project	-	16,517	78,036
Projects	10,000	6000	5000
Miscellaneous	518	230	753
Total	273,185	238,588	259,061

EXPENSES	2016	2017	2018
Administration	16,571	12,498	15,436
Campaign	19,178	29,794	11,938
Contractors and salaries	227,668	214,325	188,091
Media monitoring	5,650	9,877	5,650
Professional fees	4,266	4,689	3,971
Projects	2,825	3,228	8,036
Total	276,158	274,411	233,122

NET REVENUE	2016	2017	2018
	-2,973	-35,823	25,939

NOTES: Annual financial statements were reviewed and approved by OUSELEY HANVEY CLIPSHAM DEEP, LLP

All funding received for the Global Alliance for Tax Justice and Beneficial Ownership Transparency were spent on those respective projects.

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Mail: Canadians for Tax Fairness
192 Main Street, PO BOX 12015
Ottawa, Ontario, K1S3M1

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Left to right: Executive Director Toby Sanger: 613-720-6955 office@taxfairness.ca ; Erika Beauchesne, Communications Coordinator: 613-315-8679 Erika.beauchesne@taxfairness.ca; Sasha Caldera, Program Manager, Beneficial Ownership Project: 647-861-6425 sasha.caldera@taxfairness.ca

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The Association of Canadian Financial Officers, Canadian Association of Social Workers, Canadian Association of University Teachers, Canadian Federation of Nurses Unions, Canadian Labour Congress, Canadian Union of Postal Workers, Canadian Union of Public Employees, Citizens for Public Justice, British Columbia Teachers' Federation, Elementary Teachers' Federation of Ontario, Inter Pares, KAIROS: Canadian Ecumenical Justice Initiatives, National Union of Public and General Employees, Ontario English Catholic Teachers Association, Ontario Health Coalition, Ontario Secondary School Teachers' Federation, Public Service Alliance of Canada, Service Employees International Union—Canadian Council, Sisters of St Joseph, Syndicat de la fonction publique et parapublique du Québec, United Food and Commercial Workers of Canada, Unifor, United Steelworkers, The Professional Institute of Public Service of Canada and the United Church of Canada. Additional thanks to ACFO for their generous donation of office space.

We would also like to express our gratitude to our board of directors, who contribute many hours of volunteer labour, sage advice and collective wisdom, and to our thousands of individual and organizational allies who contribute to the cause of tax justice and fairness advocating alongside us by writing letters, signing petitions, pressuring politicians, and talking about these issues with your neighbours and friends. Your individual advocacy is so important for our collective success.

Thank you.