

Advocacy group wants Ottawa to curb tax havens

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Organization: Billions in tax at stake

A tax fairness advocacy group is urging Ottawa to crack down on what it calls offshore tax havens that wealthy Canadians use to evade taxes.

Canadians for Tax Fairness and Nova Scotians for Tax Fairness say tax havens cost the country billions of dollars a year in lost revenue.

Members of the groups were in Halifax on Friday during a meeting of Canadian premiers to call on provincial leaders to pressure the federal government to investigate tax evasion.

Kathleen Flanagan, a member of the Nova Scotia group, said officials need to address the “use and abuse of tax havens by some Canadians and Nova Scotians who are using duplicitous, unethical and in some cases illegal methods to avoid paying federal and provincial taxes.”

The group says stopping the use of tax havens would recoup billions in lost tax revenue that could be reinvested in social programs, public services and aging infrastructure.

Vincent Calderhead, a part-time faculty member at Dalhousie law school, said recent cuts to social programs, including old age security and the guaranteed income supplement, would not have been necessary if the federal government had access to more revenue.

He added that badly needed investments in infrastructure like roads, schools and hospitals would be possible.

Premier Darrell Dexter said he didn't know the specifics of the group's request.

“We're always looking at the question of tax fairness,” he said. “We don't dismiss any suggestion. I don't know the details of it, but I'm happy to have a look at it.”

The tax groups said nearly a quarter of all Canadian overseas investment dollars end up in tax havens, countries where taxes are levied at a low rate or not at all.

Statistics Canada figures show total investments by Canadian companies abroad have increased more than 70 per cent over the last decade to \$684 billion in 2011 from \$399 billion in 2001.

But investments in countries the advocacy group calls tax havens have increased significantly more. For example, investments in Barbados have increased more than 100 per cent to \$53 billion from \$26 billion over the same 10-year period. Investments in the Cayman Islands skyrocketed more than 360 per cent to \$25.8 billion from \$5.5 billion.

Some European countries the tax group also considers tax havens have seen a significant increase in investments from Canada. Ireland saw \$23.5 billion in investments flow from Canada in 2011, a 160 per cent increase from \$8.99 billion in 2001, while investment in Luxembourg hit \$13.8 billion in 2011, a massive 24-fold increase from \$552 million a decade ago.

The co-ordinator of the national group said the Canada Revenue Agency needs more resources to scrutinize foreign investments.

Dennis Howlett said the federal agency has laid off tax auditors in recent years due to government cutbacks.

“This threatens to reduce the capacity of the CRA to go after tax cheats using tax havens.”

But a spokesman for the Office of the Minister of National Revenue said that's not so.

“The Canada Revenue Agency is not laying off tax evasion experts,” Clarke Olsen said in an email. “These people are key to battling tax cheats and ensuring fairness for taxpayers.”

CRA spokesman Philippe Brideau added that the agency has made changes to its operations to ensure that those who deliberately don't comply with Canada's tax laws are detected.

"Some positions may move, or they may change to allow better co-ordination between the CRA, the Royal Canadian Mounted Police and Public Prosecution Service of Canada," he said in an email, noting that the federal agency has increased the number of full-time employees in the international audit program by 38 per cent in the past six years.

Brideau added that the agency "takes tax evasion and tax avoidance very seriously and focuses on identifying and auditing abusive schemes and arrangements that use offshore entities to hide income. Over the last six years, the CRA has conducted over 8,000 compliance actions and reassessed in excess of \$4.75 billion in unpaid federal taxes through our aggressive international tax planning efforts."

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