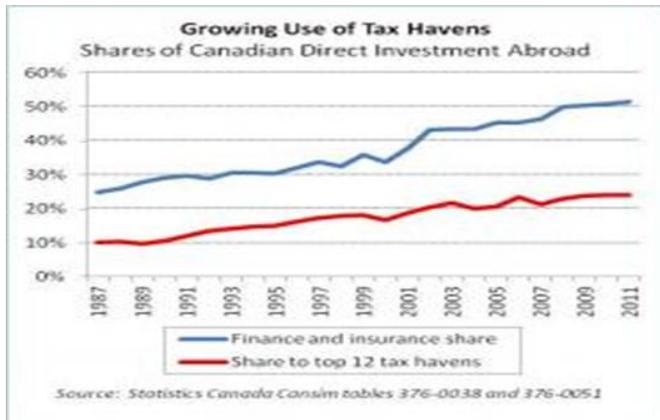




Havens are a Canadian Problem



- The amount of Canadian money funneled to offshore tax havens is at an all-time high. Nearly a quarter of all Canadian overseas investment dollars end up in tax havens. In 1987 that figure was 10 per cent.
- In 2011, approximately \$160 billion was funnelled to countries and territories recognized as tax havens.
- The top five tax havens for Canada hold nearly \$130 billion that have not been subject to taxation.

1. Barbados - \$53.3 billion
2. Cayman Islands - \$25.8 billion
3. Ireland - \$23.5 billion
4. Luxembourg - \$13.8 billion
5. Bermuda - \$13.2 billion

- Barbados is the tax haven of choice for Canadian financiers. In 2011, \$53.3 billion of untaxed Canadian dollars were parked there. Four years earlier that figure was \$33.4 billion. That is a growth of nearly 60 per cent.
- Tax havens are the ultimate hide-out for dead money. The banking and financial services sector now accounts for 51% of Canada's total direct investment offshore, more than double its share from 1987. For instance, the Royal Bank of

Canada has 30 subsidiaries in confirmed tax havens. Other financial institutions aren't far behind. This means that a growing share of this money isn't used for actual economic activity – as when a small business invests in innovation or employees. Instead it is parked there to avoid tax.

What Other Countries Are Doing:

- The Australian Tax Office and the United States Internal Revenue Service have invested in special units to handle offshore tax avoidance.
- The British Government created the High Net Worth Unit which tracks artificial losses used to reduce an individual's tax liability. The British PM told the 2013 Davos meeting that he would use this June's G8 meeting in Northern Ireland to crack down on tax haven abuse.
- The European Commission has advised member states to create tax haven blacklists and adopt anti abuse rules. Tax evasion and avoidance costs the EU about C \$1.35 trillion a year. Yahoo, Google, Dell and Merck are among the Europe'
- The British Government is also working on anti-avoidance legislation.

What Canada Isn't Doing:

- The Government of Canada estimates it loses at least \$80 billion a year to all forms of tax evasion. It does not have a system for estimating and publishing the amount of lost revenues due to offshore non-compliance.
- In 2011, there were more than 9,000 CRA employees working on taxpayer compliance. As of May 2012, 510 were assigned to the international audit program. That number hasn't changed since 2008 even though the use of offshore accounts has skyrocketed.
- In 2012, the Canada Revenue Agency modestly assessed \$4 billion in taxes owed on money hidden offshore. But the CRA's 2010 audit of its own enforcement branch confirms the Agency's inability to pursue complex offshore cases worth millions of dollars. Instead it prefers to chase down "low-hanging fruit such as small business, and the self-employed.
- The Canadian tax system relies on the principle of voluntary compliance. Most Canadians pay their due. Government leaders acknowledge that ignoring abusive tax strategies undermines community confidence as well as creating opportunity for criminals and terrorists. Canada has an opportunity to work with international