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Chair

Mr. James Rajotte

Standing Committee on Finance

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•(0845)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call the meeting to order. This is the 55th meeting of the Standing Committee on Finance.

Colleagues, I would like to welcome you back to Parliament on the second day of the parliamentary session.

We have three witnesses this morning as we continue our study with respect to tax evasion and offshore bank accounts. We have one witness by videoconference: Mr. Jeffrey Owens, from the Organisation for Economic Co-operation and Development.

Mr. Owens, can you hear me okay? Is the sound coming through?

Mr. Jeffrey Owens (Director, Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development): Yes, I can hear you.

The Chair: Okay. Welcome, and thank you very much for being with us here.

[Translation]

Then we will hear Mr. Alain Deneault, from the University of Quebec in Montreal. Finally, Ms. Brigitte Alepin will testify as an individual.

Welcome. You will have 7 or 10 minutes.

[English]

Mr. Paillé, do you have a point of order?

[Translation]

Mr. Daniel Paillé (Hochelaga, BQ): Mr. Chair, on behalf of the committee, I wish to welcome Ms. Glover, who was recently appointed Parliamentary Secretary to the Minister of Finance, and I also want to offer our condolences to Mr. Wallace.

I would also like us to send a motion of congratulations to Mr. Menzies, who has been appointed Minister of State for Finance.

[English]

The Chair: Is it the committee's wish to pass a motion congratulating Mr. Menzies on his appointment as the Minister of State for Finance?

Some hon. members: Agreed.

The Chair: On behalf of the committee, I will extend those greetings to him. Thank you.

We should also welcome Ms. Cathy McLeod, who is parliamentary secretary to the minister responsible for the Canada Revenue Agency.

Thank you. We'll go back to our witnesses, then.

We'll start. You will have seven to ten minutes for an opening presentation; then we'll have questions from all members.

Mr. Owens, we will start with you, please.

Mr. Jeffrey Owens: Thank you very much.

Let me first apologize for not being able to be physically with you and let me also commend the committee for choosing this issue of how to get better offshore compliance and how to deal with tax issues and tax havens. It certainly is an issue that is preoccupying many countries, not just Canada.

I have put together some slides for you. I thought I would take eight or nine minutes to go through those slides so that you can see how Canada is positioned vis-à-vis other OECD countries. Do you have the slides in front of you?

•(0850)

The Chair: Yes, we do.

Mr. Jeffrey Owens: Fine.

The second slide, then, basically identifies three key developments that have changed our attitudes towards offshore compliance. First is the revolution in non-tolerance of non-compliance and the fact that politicians are now very much aware that the days of tax havens are coming to an end. Second, there is a move away from international cooperation between tax authorities towards international coordination, and later I'll come back to that and say a few words about it. The third aspect is that some pressures have come from the financial sector upon our tax systems, not just as part of the banking crisis but also from the way banks use aggressive tax planning techniques.

Those are the issues that are addressed.

If you go to slide 3, which addresses the question of why it is at this point in time that we have this upsurge of interest, you can see some of the factors there. They can be grouped into three categories.

First, there's the process of globalization. Put another way, globalization has become a reality, and it's something we have to learn to live with. It brings a lot of benefits to our citizens and to our corporations.

I think the second factor is the recent scandals. I see, in fact, that you have been discussing the UBS scandal in the United States and the Liechtenstein scandal. I don't know how many of you have visited Liechtenstein; it's a very small place, but that scandal has had a major impact on 41 countries around the world.

The third thing is obviously the financial crisis, which has meant that governments need more money and need to show their citizens that the tax burden is being fairly shared.

When you put these factors together, what we have seen over the last three years is that we are really coming to the end of the era of bank secrecy as a shield for tax evaders. All countries have some form of bank secrecy, but today very few of these countries in fact use their bank secrecy to protect tax evaders. I think that is a very important development. Clearly the G-20, working with the OECD, has led this particular initiative. Quite frankly, without the G-20 support I don't think we would have seen the type of progress that we've had since 2009.

The next slide, slide 5, shows you a graph with the number of tax information exchange agreements and double taxation agreements that meet the OECD standard that have been signed between the different G-20 meetings. We're now up to almost 600. I've worked in this business for 30 years, so I know how long it takes to sign an agreement. It is just remarkable that we have 600 agreements signed since January 2009.

The standards—this is the next slide, slide 6—are very simple. Basically, they boil down to saying that we must cooperate with each other to counter offshore non-compliance. The standard we have, in fact, in our dialogue with tax havens is what we call the exchange of information standard on exchange on request. What that means is that insofar as, say, Canada asks Barbados or asks the United States for information that is foreseeably relevant to the Canadian tax authority so that they can fairly apply their taxes, then the U.S. or Barbados should make a response. Of course, this also implies that the requested country has access to information that is reliable and that is easily accessed by the requested authority.

The other thing that's important is that there are provisions in place in these agreements to protect the confidentiality of taxpayer information. That is something we've always worked on as a key to seeing these agreements move forward.

We are particularly pleased that today the standards have been universally adopted by the United Nations, by the G-20, and by all countries around the world.

Let us go to the next slide, slide 7.

It's one thing to have agreements, but what we want is change on the ground. That's why we have created this global forum on tax transparency. It brings together 96 countries now. What the forum has done is put in place a peer review mechanism to ensure that these agreements are translated into action. It's a pretty rigorous mechanism. We've already managed to do 18 reviews. Of those 18 reviews, there are in fact six countries that basically failed, including Barbados and Panama, just to name two of them.

● (0855)

This is what we've been doing at the bilateral level, but we also recognize that in an age characterized by global taxpayers and global multinationals, you need to move away from the bilateral to the multilateral dimension, so we've been working on developing a multilateral convention for administrative assistance in tax matters. You can see on slide 8, in fact, the stages that we've gone through. I think the important thing about this is that it is the gold standard. This is what every tax lawyer or tax administrator dreams about: a convention that's multilateral, not bilateral, and that provides for assistance in the assessment of tax and in the collection of tax, for all taxes, whatever the tax is: VAT, GST, income taxes, or corporate taxes.

Currently 21 countries, including Canada, have signed this convention. It will be opened up to non-OECD countries in just a few weeks' time, and we look forward to having all the G-20 countries, and perhaps some developing countries, actually join us in this convention. It's a very powerful instrument.

I'll give you an example of how it can be relevant for Canada. Let's say that the revenue agency in Canada decides that you want to audit a multinational enterprise that involves activities in Japan, France, and the United States. This convention provides the legal framework to carry out those joint audits, so it's a very powerful tool.

Let us turn to the next slide, slide 9.

I've talked up until now mainly about tax havens, but there's a lot of other work that the OECD is doing to improve tax compliance. On this slide, you'll see some of those activities, primarily carried out by our forum on tax administration. You have a commissioner who has a very active role in that forum. When these 43 commissioners meet, what they're trying to do is change the environment within which tax systems operate. They influence the environment.

I'll just pick up two of the points that are referred to here. One is the issue of banks and the way banks have a lot of opportunities to engage in aggressive tax planning. Just a few months back we issued a draft code of conduct for banks that sets out the way we as tax authorities think they should behave in terms of their tax compliance. The other point I would pick up on is the last bullet point on corporate governance. We think the time has now come to put good tax compliance onto the corporate governance agenda.

Let me finish with perhaps five concluding comments.

The OECD doesn't tell countries what to do, but let me say that it makes some suggestions that Canada may wish to consider. First, currently you have fewer than half a dozen tax information exchange agreements. For a country the size of Canada, a country with a very open economy, you need to have more. I think you need to invest in extending your agreement network. You need to actually also speed up the process of signing and ratifying these agreements. If they're not ratified, then nothing happens on the ground. I think that should be one of your priorities.

The second thing is that you need to invest in your tax administration so they can actually take advantage of this more open and more transparent environment. Believe me, the yields on that investment are very significant. May I give you some figures?

The United Kingdom is investing £4 million in their revenue service; they expect a yield of £7 billion. The United States estimates that it could collect a minimum of \$100 billion from better enforcement. Spain has just upgraded its approach to offshore compliance, and this year has collected €10 billion. In other words, there's money out there that you could collect.

However, this is not just a question of more revenue. It's also a question of showing to Canadian taxpayers—honest taxpayers—that the burden of tax is being fairly shared.

The third thing that I think needs to be done—and this doesn't apply just to Canada, but right through the OECD—is that we need to re-educate auditors. We need to tell them that if they come up against a Swiss case or a Luxembourg case or a Panama case today, and if Canada has an agreement with these countries, they can now ask for information, which is something they could not do in the past. That applies also to the agreement you have with Barbados.

Fourth, I think it's important that Canada, working with the OECD forum on tax administration, needs to put good tax compliance at the centre of the good corporate governance agenda.

The last point I would make is that I do think it's important not to look at this in a box, but to see that the fight against tax evasion has to be matched with the fight against money laundering, corruption, and bribery, because all of these activities thrive in a climate of non-transparency, weak regulations, and poor cooperation.

I'd be very happy to answer any questions.

The Chair: Thank you very much, Mr. Owens, for your presentation.

[Translation]

Mr. Deneault, you have the floor.

Mr. Alain Deneault (Researcher, Chaire de recherche du Canada en mondialisation, citoyenneté et démocratie, Université du Québec à Montréal): Good morning.

I am Alain Deneault, sociology researcher at the Université du Québec at Montreal, and author of the book entitled *Offshore: Paradis fiscaux et souveraineté criminelle*, published in France by La Fabrique and in Quebec by Écosociété. This book will soon be published in the United States by The New Press and it will be entitled *Offshore: Tax Havens and the Rule of Global Crime*.

I thank the Standing Committee on Finance for allowing social sciences thinkers in the humanities to speak on tax-related issues. As you know, fiscal matters affect crucial public service funding issues and the state's very capacity to guarantee the reliability of its institutions. Thus, it is a good idea not to limit reflection on this matter to certain disciplines, nor to observe things exclusively from the perspectives of law and accounting.

Tax evasion and, more generally, tax leakage, cause social and political problems on a grand scale. In 2005, the Quebec Minister of Finance estimated that tax evasion-related potential losses to the public purse amounted to more than 5% of the gross domestic product. And to this must be added the unrecorded fiscal avoidance losses and losses due to aggressive tax practices. In the case of tax avoidance, we are referring to legal tactics such as transfer pricing,

and in the case of aggressive practices, tax avoidance strategies that lie on the very edge between legality and illegality.

Also contributing to this hemorrhage are dumping phenomena that are difficult to quantify, such as tax reductions granted by northern regimes to wealthy stakeholders, under the pretext that we have to compete directly with tax havens, or the part of the debt service we must allocate to reimbursing loans from financial institutions that are not taxed enough, or not taxed at all.

Switzerland, for instance, is a country that is symbolic of complacent regimes that have historically facilitated various tax avoidance measures. Several authors have substantiated this. Switzerland has even in the popular imagination become a symbol of suspect manoeuvres or obscure money transfers. However, focusing on the Swiss Confederation or some of its banking institutions, as has been done in the past, can be encouraging if we indeed focus on dismantling that symbol. However, the issue of tax havens goes beyond the matter of Switzerland alone.

This does raise certain fears. José Gayoso, member of the Association for the Taxation of Financial Transactions for the Benefit of Citizens, in France, feared that the case of Switzerland was being used to simply condemn that country, to the benefit of competing tax havens. Mr. Gayoso received considerable support from no less a source than retired Geneva Justice Bernard Bertossa, who is usually very critical of his own jurisdiction, but states in his book *La justice, les affaires, la corruption*, that: "It is an undeniable fact that there is as much, if not more, dirty money in the City of London as is to be found in the banks of Zurich, Geneva or Lugano."

Switzerland must not become the tree that prevents us from seeing the forest. The United States, China and the United Kingdom, among other countries of the G20, freely criticize Switzerland but spare their comments with regard to Delaware, Macao, London and a host of other countries that constitute, in the Caribbean or elsewhere, the most controversial tax havens on the planet. Canada does not seem to be an exception among the members of the G20. Within Canada itself, Halifax plays the role of offshore centre in close contact with Bermuda and the City of London, with insurance companies and venture capital firms, a sector that was in the forefront of the 2008 economic crisis, and benefits from major tax advantages. The Conseil de développement économique de la Nouvelle-Écosse [Nova Scotia economic development council], directed by a board of directors from the private sector, the Nova Scotia Business Inc., also gives tax exemptions to offshore companies that hire local accountants rather than accountants from their own jurisdiction.

On the international scene, Canada appears to be the ally of Caribbean tax havens that have yet in the past been targeted internationally by the OECD, the FATF or the IMF, for instance. Our country, Canada, sits within the bodies of the World Bank next to an array of Caribbean tax havens: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis, St. Lucia, as well as St. Vincent and the Grenadines. One of these countries is under surveillance by the Geopolitical Drug Observatory, and many international criminologists consider several of these countries as clearing houses for drugs coming from Columbia.

Often, Canadians, or parties related to Canada historically, were the ones who created the business sectors in these Caribbean tax havens, if not themselves draft financially advantageous measures for the banks that have their branches there. You will recall for instance that in the 1960s, Sir Stafford Sands was at one at the same time responsible for finances in the Bahamas and also a member of the Royal Bank of Canada board of directors.

● (0900)

Moreover, Canada continues to have a privileged relationship with Barbados. The binding double taxation avoidance agreement has proven to be a permanent tax amnesty for stakeholders who practise tax avoidance tactics such as transfer pricing.

Canada in fact is continuously adding to the fields of activity that benefit from this tax haven's jurisdictional clemency, as the field of insurance was added in 2010. And let's not even mention the free trade agreements Canada is signing with Panama and Columbia.

It is not unusual for offshore companies that offer tax avoidance services in Canada to resort to tax havens such as Luxembourg.

In conclusion, it is clear that the Canadian Parliament must highlight the losses that derive from the Swiss bank accounts of Canadian taxpayers in banks such as HSBC or UBS, which cases may involve tax evasion and money laundering.

It would be a mistake however to isolate these cases as though they were unique phenomena. In order to set out the problem in a serious manner, the whole issue of tax evasion must be considered in light of the international deployment of an array of complacent legislation. It must be dealt with against the backdrop of the complacency of northern states that often legalize what amounts to wrongdoing when seen in the context of the principles of equity and justice that must be at the heart of taxation generally.

Tax evasion must be studied at the same time as various tax avoidance measures, even though they may be considered legal.

Thank you.

● (0905)

The Chair: Thank you very much for your presentation.

Ms. Alepin, you have the floor.

Ms. Brigitte Alepin (Chartered Accountant, Agora, Services de fiscalité Inc., As an Individual): Thank you.

Good morning, ladies and gentlemen. Thank you for the confidence and respect you are showing me today.

Since several of you do not know me, I will try to introduce myself as briefly as possible. I am a chartered accountant; I have a masters in taxation from the University of Sherbrooke and a masters in public administration from Harvard. I have written several influential works on various topics related to tax policy, including tax havens. I am responsible for the tax column in the prestigious *CA Magazine*. I am the author of a best seller, *Ces riches qui ne paient pas d'impôts*. My next book will be in bookstores on February 17, 2011, and is entitled *La crise fiscale qui vient*.

On January 5, 2010, Jean-Pierre Blackburn, who was then Minister of National Revenue, stated that Canadians had in 2009

invested a total of \$146 billion in tax havens. This is a considerable increase compared to the \$88 billion invested in 2003. In light of the growing popularity of tax havens and the difficulty of tracking the taxpayers involved in this sort of fraud, it is important to ask ourselves whether the measures taken by Canada domestically, and jointly with other countries, are sufficiently effective to counter this tendency.

Domestically, Stephen Harper's government seems ambivalent about tax havens. On the one hand, Jim Flaherty, Minister of Finance, stated in the 2007 budget that his government was going to crack down on those who avoid paying corporate income tax by intensifying the fight against the use of offshore tax havens. On the other hand, in the 2010-2011 budget, he made things easier for Canadian taxpayers who want to get around the taxation of profits from the sale of shares of Canadian corporations.

When a resident of a country with whom Canada has not signed a tax treaty sells the shares of a Canadian company, section 116 of the Income Tax Act provides that the Canadian purchaser must retain 25% of the proceeds of the sale to non-residents and remit it to the Canadian government as tax withheld at source.

The federal 2010-2011 budget eliminates this obligation for most industrial sectors. Thus, it makes it easy for Canadian taxpayers to legally avoid Canadian income tax on the sale of Canadian shares by having them held by an intermediary residing in a tax haven.

Internationally, agreements concluded by Canada with other G20 countries, which were explained by the Canada Revenue Agency before this committee at the December 13 hearing, and by Mr. Owens previously, have in fact diminished the level of protection afforded tax fraud and tax evasion in tax havens. However, the problem will probably remain, and to go further additional measures must be considered.

In the context of my presentation, I want to submit two such additional measures, and highlight two problems that remain and must be dealt with.

Under the current information exchange system, countries that wish to receive information from another country must make a request and provide the name of a taxpayer, an address, a time frame, and the name of the bank where the taxpayer is a client. This information seems easy to obtain, but in reality it is quite difficult for tax authorities to line up Canadian taxpayers with the names and addresses that they use in tax havens. The reason for that is quite simple: an individual who is setting up a tax evasion scheme in a tax haven will not often use his own name. He will, rather, use front companies and fake offices that provide an address.

Ms. Lucie Bergevin, Director General of the Canada Revenue Agency International and Large Business Directorate, who testified before this committee on December 13, 2010, referred to the difficulty I am also drawing to your attention. She justified the lengthy process to verify information received from informers in Liechtenstein or in Switzerland by explaining, and I quote: "The information we get is also not complete. Often we don't have the social insurance number or the address, and so we need to match this with our system, and that can take a long time."

To get around these problems, rather than banking on an exchange of information at the request of tax authorities in the countries concerned, as is the case currently, countries should consider the possibility of an automatic information exchange that could be done in various ways.

● (0910)

For example, once a taxpayer opens an account with a financial institution in a tax haven, the financial institution should automatically alert the authorities in the country of origin, or risk heavy monetary penalties. Or G20 countries could make sure that a file listing all properties and bank accounts of all companies, trusts or foundations, be set up in tax havens and be accessible to tax and legal authorities.

I would like to draw your attention to a second problem. Right now, the G20 proposals are focusing mainly on individuals, even though multinationals in tax havens are more of a concern. To tackle the problem of multinationals, Canada, in cooperation with the other countries, could consider two types of solutions.

First, we can reform the tax rules applicable to multinationals and establish a centralized tax system or a single worldwide tax burden. A centralized tax system for multinationals would be fairer, simpler and more effective, and would almost instantly eliminate the unfair competition of tax havens. However, realistically, for political reasons, this solution seems difficult to apply in the short term, and it would not eliminate the problem of banking and legal havens.

So, reporting, or the communication of information by country, seems to be the most effective solution. It involves asking all multinationals to present the following information, country by country: their activities in that country, the amount of their assets, the number of employees, the relationships between related persons, their before-tax profits and the amount of their taxes paid in that country.

The generally accepted accounting principles are a very powerful tool in that regard because they can be used to establish identical rules for all international businesses.

Furthermore, on June 5, 2010, in Busan, the members of the G20 finance meeting stated: "We expressed the importance we place in achieving a single set of high quality, global accounting standards and urged the International Accounting Standards Board and the Financial Accounting Standards Board to redouble their efforts to that end."

To conclude, I'll say that the information exchange system is a major effort to define and, in fact, resolve the problems. But it is important to check how this system will be implemented, in practice, and especially to provide for heavy sanctions on organizations that do not meet their commitments.

I would be happy to answer your questions.

The Chair: Thank you very much.

[English]

We will now begin members' questions.

Go ahead, Mr. Szabo, for seven minutes, please.

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Owens, thank you for your presentation.

With the increase in the amount of money going into offshore accounts, and given that there is a notably substantial return on efforts to recoup—an extraordinary amount of recovery relative to the cost—it sounds as though the system doesn't work yet. It sounds as though there isn't sufficient deterrence in the system, whether through the OECD or through individual countries doing their jobs.

What deterrents have been used by some jurisdictions that would lead us to a better and more effective approach to dealing with tax evasion?

● (0915)

Mr. Jeffrey Owens: Gentlemen, would you like me to answer the question?

Mr. Paul Szabo: Yes.

Mr. Jeffrey Owens: Let me make a comment. Yes, there is still plenty of offshore non-compliance taking place, but the thing one has to recognize is that many of these agreements are very recent—in fact, in Canada's case the majority of the agreements that you've signed are still not ratified—so it is far too early to say how effective these particular exchange of information agreements will be.

The other thing that's important is the deterrence effect. I talk to a lot of business people, financial advisers, and investment banks, and the one thing that clearly has changed here is that if they get a Canadian client who comes to them and says, "Look, I want to evade taxes; perhaps I could use Barbados or somewhere else", they'll say, "Forget it. Those days are gone." There's been a change in attitude on the part of the business community, and that should not be underestimated.

The third point I would make is that exchange of information is not the end of this game. You have to have good risk management tools at the level of tax administration. You have to find real ways of cooperating with your counterparts, not just cooperation by means of joint audits.

Mr. Paul Szabo: Sir, in fairness, the approach that's being taken seems to be reactive. It seems to be trying to get information after it's happened rather than stopping it from happening in the first place.

Are there any deterrence measures that you're aware of in any jurisdiction that may be useful to balance off the reactive mode that seems to be taking place?

Mr. Jeffrey Owens: I think there are in some countries. Here in France, France has encouraged its banks in uncooperative tax havens—havens, in fact, that are not playing the game—to exit from those jurisdictions. Other countries are putting in legislation for stronger control of foreign corporations, and there are also countries that are putting in voluntary compliance programs that take advantage of the new, more transparent environment to encourage people to come forward and declare any—

Mr. Paul Szabo: I'm sorry, sir; our time for each member is brief.

Are there any jurisdictions that have enacted any other laws to broaden the scope of culpability when a situation is discovered? Obviously, to set up an offshore corporation or other sophisticated approach to evade taxes requires the assistance of professionals, whether they be accountants, lawyers, planners, or others. Within their own professions, they have strong ethical guidelines; is it not about time that the laws of our jurisdictions extend that culpability beyond those who are directly involved?

Mr. Jeffrey Owens: That's a good point. In fact, there are a number of countries that, like the United Kingdom, have put a burden on the advisers, so that you can prosecute not just the people who are evading taxes but also the people who have advised them to do that. Also, what some countries have done is that if you have a transaction with a tax haven, they will not let you deduct certain expenses—that's quite a powerful tool—or they will reverse the burden of proof. In other words, it's the taxpayer who has to prove why he's using that haven, not the tax authority having to prove why the taxpayer wanted to use it.

Mr. Paul Szabo: All right. Let me move on to our other witnesses.

In the Canadian experience, have you any idea whether or not there are linkages between the underground economy within Canada and offshore activities of tax evasion?

[Translation]

Mr. Alain Deneault: Could you please repeat the question?

[English]

Mr. Paul Szabo: I'm speaking of the underground economy, domestic fraud linking...

[Translation]

Mr. Alain Deneault: In the 1980s, Mario Possamai noticed that there was a way of laundering money through branches of Canadian banks. For example, research was done in this regard as part of an investigation by CBC. So, there are precedents.

• (0920)

[English]

Mr. Paul Szabo: Do you have any privacy law concerns that limit the ability of those charged with dealing with these matters of tax evasion, etc., that inhibit or restrict the scope of the work that's being done by the government?

[Translation]

Ms. Brigitte Alepin: In response to your question about the cases in Liechtenstein and Switzerland, I want to remind you that a new phenomenon has emerged in how information was brought to the attention of the tax authorities of various countries. This phenomenon is that of the "super" tax informant who sells tax lists to countries all over the world. This was the case in Liechtenstein and Germany, where a tax list was sold for 4.8 million euros.

[English]

Mr. Paul Szabo: Thank you.

Finally, Mr. Owens, I'll go back to you again, sir. I am a little concerned about the approach the OECD has taken, simply because the political push-pull seems to be interfering with the objective of

the approach. Yes, we have agreements, but they take a long time to implement.

If the problem is so great, is there any champion out there who is suggesting that we haven't given this our best shot and that we have to get more aggressive?

Mr. Jeffrey Owens: I think if there's a delay in putting the agreements in place, that is a barrier. I think Canada is a good example. It's taking you too long from the time you sign an agreement to the time an agreement is ratified, and unless the agreement is ratified, you can't use it. There has to be a political will in countries to move from the signing towards the ratification.

Let me make one point on what the previous speaker said about informants. All countries use informants, and in a sense that's part of a citizen's duty. If you know that other citizens are evading taxes, you should actually inform the tax authorities.

This is not a new phenomenon. The scale perhaps has changed, but it's not new.

The Chair: Thank you.

Thank you, Mr. Szabo.

[Translation]

Mr. Paillé, you have the floor.

Mr. Daniel Paillé: Thank you, Mr. Chair.

I see that there is a new kind of trade taking place around the world, namely, the selling of lists of users of tax havens. It could be profitable business to get into.

Mr. Deneault, you said that there will be reactions. Tax havens certainly engage in competition, because a tax haven is a business in itself. You need to be creative in the financial market. Think about the state of Delaware and Halifax. These places aren't very far away. Clearly, they aren't going to fall asleep at the switch. Since they have operated a very lucrative business for a number of years, the factors of defence and counterattack are at play. We see it clearly: Canada signs agreements, but does not ratify them. Pardon the expression, but things are "loosey-goosey."

Is Canada not essentially becoming the haven for users of tax havens? Is the transaction that led Scotiabank, whose headquarters are in Halifax, to buy the affiliates of BNP Paribas in Panama, Grand Cayman and Bahamas, not an illustration that Canada is the haven for users of tax havens?

Mr. Alain Deneault: I would not point to Canada in particular. Most of the countries now appearing on the international stage as opponents of tax havens are often partly responsible for their existence, or at least their existence historically.

Given that we don't have a lot of time, the only thing that I would like to stress, from a fundamental point of view, is that, if we look into the problem of tax havens, we must stop seeing them as a pure face-off between valiant, honest constitutional states and nasty tax havens. Historically, tax havens were created by rules of law.

Dependencies of Britain, the Marshall Islands, which are a creation of the United States, the state of Delaware, the city of London and so on must not be considered in dogmatic terms of good and evil. If we think that we need to fight against something foreign, we're on the wrong track. We need to start by looking at Canada's responsibility in this double taxation treaty with Barbados, which, if we're honest about it, is, actually, a double non-taxation treaty.

• (0925)

Mr. Daniel Paillé: That's right.

Mr. Alain Deneault: This is a question of responsibility.

Mr. Daniel Paillé: I would like to ask Ms. Alepin a question about the request for information. You said that we need to ask about post office boxes. On this side of the House, we all recall the testimony of Ms. Bergevin from the Canada Revenue Agency. You seem to be proposing solutions that are relatively easy to put in place, but they are not, with the exception of the Bank Act, which requires charter banks to disclose their operations. What's good for the goose is good for the gander.

What do you think is preventing Canada from doing this? Is it just that there is a lack of political will?

Ms. Brigitte Alepin: No, it isn't that. If I was Prime Minister of Canada, even with all my goodwill, I probably wouldn't do it because you need an international consensus to come to a decision on these kinds of practices relating to tax havens. We don't want banking information disclosed in Canada, but we do in tax havens. This must be negotiated within the OECD. The discussion must take place in the international arena.

Canada can draw attention to this problem and constantly insist on the importance of improving transparency standards in tax havens. I would not say that the Canadian government lacks political will. I would not point the finger at the Canadian government on this specific matter.

Mr. Daniel Paillé: You're turning the argument over to Mr. Owens of the OECD.

You said that there are 600 agreements relating to the information and that they're signing them like they're going out of style. At the same time, it seems that a country that signs a dozen of them is avoiding this type of list. Previously they were corporate bonds, and now they are tax havens.

On the one hand, is this not too little? But on the other, there is a type of system where, if you sign an inter-country information agreement, users from those countries are exempted from taxes. It seems to me that, today, thanks to all the methods of communication and all the information equipment we have, it is easier than ever to get information. Don't you find that the cost-benefit analysis...

We sign an information agreement to ensure that companies using these former tax havens are not taxed. It seems to me that it costs far too much to obtain information after the fact that poses some difficulty. In fact, the name, address, telephone number and name of the bank seem to be a little basic.

What do you think, Mr. Owens?

[*English*]

Mr. Jeffrey Owens: I can make a comment on that. As I said earlier, this is a good investment. Look at the United Kingdom. They've put £4 million into better offshore compliance, and they expect a yield of £7 billion. That's a pretty good return. I think the cost-benefit analysis of exchange agreements comes out very much in favour of having these agreements and implementing them.

My second comment is that in our discussion this afternoon on tax havens, think we need to be clear concerning what we're talking about. To me and for the OECD, a tax haven is a jurisdiction that has either zero tax or a very low tax, has bank secrecy, lacks transparency, and is badly regulated. Of all those criteria, the key is bank secrecy. You can't get information out of Panama. You couldn't get information out of Barbados; that has now changed.

I think for us the next step involves moving beyond these agreements, getting these reviews out of the way and getting them completed, and identifying what more these tax havens have to do. As I said, we've completed 18 reviews. Barbados got a thumbs down; Botswana got a thumbs down; Panama got a thumbs down. In those 18 reviews, we identified 64 recommendations for improvement. It may not go as fast as you would like, but there is real progress being made here.

There is perhaps is one other comment. I think an earlier speaker was confusing things. There is a difference between evading taxes and using tax incentives that governments put in. If a country wants to offer tax incentives—and Canada, like almost all other OECD countries, does that—that's a sovereign right. We've nothing against that. If a country condones or facilitates tax evasion, that's something that I think is not acceptable, and this is what the OECD has been fighting about.

• (0930)

The Chair: Okay. Thank you.

Thank you. *Merci*.

We'll go now to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair. I want also to say that I'm thrilled to be here at my first meeting on the finance committee. I expect it's going to be interesting, and I look forward to working with all of the opposition members and, of course, my colleagues next to me on this committee.

[*Translation*]

First, I want to thank you for testifying today. Mr. Deneault and Ms. Alepin, you have clearly expressed that there is a real international problem. I have heard what you said, and I am in full agreement.

I would like to ask Mr. Owens a question about this, because it's important to understand the history of tax havens.

[*English*]

Mr. Owens, I would like to ask you to briefly touch on the history of tax havens. It's been indicated a couple of times in committee that this is an international problem, and of course Canada is one of the cogs in the wheel that's trying to move forward to resolve this.

You have mentioned a couple of things that you think are good advancements—the agreements, the reviews—but I need to have you explain a little bit of the timeline. When did Canada first start to address this issue, and what are the significant things that have been done to date that have impacted on this in a positive way? Can you give me the timeline and an approximate idea of the years these came into place?

When did this start? When did the positive action begin to take place? What were those positive actions? Tell us about that in respect to the international aspect of this issue.

Mr. Jeffrey Owens: The OECD project started back in 1998. At that time, I think we had perhaps an oversimplistic approach to the issue of tax havens. It was very much a “name and shame”: you identified a tax haven using the definition I’ve just described, and then you put it on a list, and then you whacked in sanctions as defensive measures.

It was an aggressive approach. We were actually surprised that the tax havens responded to that approach by saying, “Before we get down to sanctions, let’s start talking. Let’s see whether we can have an agreement, because if we can have an agreement that we all buy into, then the agreement is much more likely to stick than just hitting us with sanctions.”

Between 1998 and 2000, we worked on that. We got a set of standards. In 2002, we had an agreement between the OECD countries and the tax havens on a model information exchange agreement. It wasn’t easy getting places like the Caymans, Barbados, and OECD countries like Switzerland and Luxembourg to sign on to that, but we have it, and that agreement now forms the basis for these 600 tax information exchange agreements around the world.

I think the key turning point occurred in April 2009 at the London G-20 summit. At that point all of the G-20 leaders, including the Canadian leader, basically sent a very strong message to the offshore world: “Your time is up. We are no longer prepared to tolerate tax havens.”

To me it was surprising that it took so long to get there. I think there are many reasons explaining why that was the case, but at that London summit it was very clear that the political message had gone out that it was not acceptable.

At that point you saw the changes. You saw countries like Switzerland and Luxembourg saying they would come on board and sign the standards. You saw countries like Panama and Barbados saying they would come there as well.

This was because at the same time as the G-20 made that statement, the OECD issued its list—we don’t call it a list, but that’s what it is—that basically identified three categories of jurisdictions. There are those that have committed to the standard and have these 12 agreements, and so have partially implemented them. People call that the white list. I don’t like that, because having 12 agreements doesn’t mean you’ve done everything you need to do. The second part of the list was those that have committed to the standards but have not substantially implemented them. The third part was those jurisdictions that neither endorsed nor implemented the standards at all.

That list, because it was made with a “name and shame” approach, was very effective, because then you can see the way countries began to move forward. What we’ve seen from April 2009 right through the Toronto G-20 summit and then to the last G-20 summit in Seoul is a massive increase in the number of these agreements.

Our focus now is on making sure that these operate in practice. I think one of the speakers said a moment ago that you have to be able to provide the name, the address, and the name of the bank before you can ask for information. That’s not correct. All you have to do is provide sufficient information to enable the requested state to be able to go to the banking community and get that information. For example, if you have an e-bank number, that in itself is enough to do this.

These are some of the key timelines for this project. It’s going to be ongoing, because as long as we have taxes, we’ll have people who want to evade taxes. As long as you have people who want to evade taxes, you’ll have offshore standards that would facilitate doing so.

● (0935)

Mrs. Shelly Glover: Very good.

I only have a couple of minutes left, but I am really glad that you touched on the G-20 summit that happened in Toronto.

As far as I remember, there was an article in the newspaper that quoted you as saying that Mr. Flaherty, our Minister of Finance, was showing leadership in getting the G-20 members to crack down on tax havens with new sanctions.

Do you still agree with that comment here today?

Mr. Jeffrey Owens: I do, yes.

You can see that the language that was put into the G-20 communiqué was strong language. It emphasized that we want to see progress, and it also said that if we don’t see progress, then sanctions will be put in place.

Mrs. Shelly Glover: Very good. Thank you.

I know you touched on five recommendations. I appreciate those recommendations.

I want to ask about the fifth one. You talked about enforcement. I just want to get clear what that fifth recommendation was, because as I was taking notes, I don’t think I quite got what you had to say about the fifth recommendation. Could you repeat it for me quickly?

Mr. Jeffrey Owens: Yes. I think it was the importance of making the linkage in the fight against money laundering, bribery, corruption, terrorist financing, and tax evasion. At the end, all of these illicit activities thrive when you don’t have cooperation and don’t have much transparency.

One of the things governments need to do is to ask themselves whether we can get better cooperation between the tax authorities on the one side and other law enforcement agencies on the other. For example, if the tax authorities find a case that looks like money laundering, they can pass that information to the financial intelligence units, who can then progress, or if the financial intelligence unit finds something that looks like a tax crime, they can pass that back to the tax authority. It’s a whole-of-government approach.

The Chair: Thank you. *Merçi.*

We'll go now to Monsieur Mulcair, *s'il vous plaît.*

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair. I am pleased to have this opportunity to welcome Mr. Deneault, Ms. Alepin and Mr. Owens.

[*English*]

Mr. Owens, I'm going to start with a quick question to you.

The Tax Justice Network has a number that's quite a bit higher than the OECD's as an estimate of what's currently being held in tax havens. Have you studied the difference between your two estimates? What is the current OECD estimate?

Mr. Jeffrey Owens: It's quite difficult to study the Tax Justice Network, because every month it seems to increase by \$50 billion. It started at \$50 billion, then it was \$250 billion, and the nearest figure I've seen is up around \$600 billion. It's a number that is continually moving.

We have consciously chosen not to put out such a number, because frankly, I don't think you have the methodology or the data that would enable you to reliably estimate how much we are losing to tax havens.

What we are confident of is that it's big and it's growing. How do we know that? It's by looking back. I'll give you an example. Ireland, a small country—not a low-tax country, but a high-tax country—last year collected €1 billion from Irish residents using Channel Islands offshore havens. That is 26% of the total revenue that they get from unearned income. That's an enormous amount.

Mr. Thomas Mulcair: Yes.

Mr. Jeffrey Owens: I don't think you can put an exact figure on it, but I think you can confidently say that it is big, that it is growing, and that we need to deal with it.

Mr. Thomas Mulcair: Well, that's the reason we're here today, and you're helping us a great deal.

Thank you for that.

● (0940)

[*Translation*]

Ms. Alepin, I want to come back to one of your previous remarks because it called out to me. You said that one of the best ways would be to require everyone, even if individuals aren't receiving income in another country, to say whether the money is being placed in a tax haven. But if we want to avoid the debate about what a tax haven is, it seems to me that it would be dead easy to ask all citizens to disclose in their tax returns whether they have a bank account elsewhere, either personally or through a third party private individual or corporate body.

I am not going to start to debate, to go back to Mr. Owens who talked about Delaware, whether such a place is or isn't one.

If you have a bank account in the United States or in France, it could be perfectly legitimate, but we want to at least know. Would there be a fundamental objection to this measure that we should know about?

Ms. Brigitte Alepin: Yes.

Mr. Thomas Mulcair: What is it?

Ms. Brigitte Alepin: It's that, in practice, taxpayers are not going to provide the information. And there's already a similar question in the federal income tax return. Individuals are asked whether they own property outside Canada valued at more than \$100,000. In practice, people who go to tax havens to avoid paying Canadian taxes are quite simply not going to answer that question. It's very easy to simply not answer, and the Canadian tax authorities have no way of verifying it.

Mr. Thomas Mulcair: This observation was also made when they came here. You referred to the presentation they made in December.

Ms. Brigitte Alepin: Yes.

Mr. Thomas Mulcair: We got the clear impression that the approach was a bit too trusting, if not, dare I say it, almost naïve.

I'm looking for practical solutions. We are law-makers, and we are dealing with a global problem. With the obvious advances in information technology, the equivalent of the global gross domestic product circulates every four days.

Ms. Brigitte Alepin: The basic problem that these tax havens probably present on tax systems is that Canada's tax systems will be 100 years old in 2017. They were developed at a time when tax havens, the Internet and e-commerce did not exist.

They are therefore based on tax principles that require a physical presence.

Mr. Thomas Mulcair: Everything breaks down.

Ms. Brigitte Alepin: The entire issue of tax residency is based in some way on principles that are not quite in step with the 21st century. We—you and me—need to keep in mind that Canada alone cannot reverse it. Reflection is needed and it must start, slowly, at the international level.

Mr. Thomas Mulcair: You said "slowly", but when we are losing hundreds of billions of dollars stashed away elsewhere, the "slowly" means that, with the six thousand billion dollars that have been printed since the start of the economic crisis, once things have picked up a bit of speed and gained momentum, you and I are going to have to deal with an inflation problem.

Ms. Brigitte Alepin: Yes.

Mr. Thomas Mulcair: But the same amount is not productive. Here, the paradox is that people making this money benefit from these structures: a rule of law, to use Mr. Deneault's term, honest tribunals, an honest public administration system. But all of that is expensive. Now that they have made this money thanks to this system and this rule of law, they do not want to pay their share. So there's the basic injustice.

Ms. Brigitte Alepin: What's worse, if I may say so, are the middle-class taxpayers who have to make up the shortfall.

Mr. Thomas Mulcair: Yes, exactly.

Ms. Brigitte Alepin: And, internationally, in industrialized countries, we see more and more dissatisfaction and mounting fiscal pressure within the middle class.

Mr. Thomas Mulcair: I have a little question for you, Mr. Deneault.

Do you know about the UBS bank? Are you aware of how it recruited clients in the United States? It used well known and top people. Are we seeing a similar trend here in Canada? Have you had a chance to look into this?

Mr. Alain Deneault: I must humbly admit that this does not fall under my area of expertise.

Mr. Thomas Mulcair: Okay.

Mr. Alain Deneault: I deal more with issues of political thought related to states, jurisdictions, and so on.

Mr. Thomas Mulcair: Great. I am going to address those issues exactly. You mentioned in passing the free trade agreement with Panama and Colombia.

Mr. Alain Deneault: Yes.

Mr. Thomas Mulcair: We have been continuously fighting against the signing of a free trade agreement between Canada and Colombia. I am happy to give you a chance to provide us with more information on the problems you simply touched on earlier because there was not enough time.

Mr. Alain Deneault: The political signal we are sending to the international community is actually creating problems. If Canada claims to be fighting against tax havens, but then signs a free trade agreement with a country that is well known for being a hub for laundering drug money, we have a problem indeed. I presented some data collected by criminologists on this issue to the Standing Committee on International Trade. This is also a problem in terms of responsibility and credibility. If on the one hand we encourage and recognize the states that enable drug money laundering, but on the other hand we fight against tax havens by participating in peer review committees, we have a credibility problem on our hands. This is a major factor.

Let me go back to a point that we will have to deal with at some stage. At the World Bank, an institution that is not at all insignificant, Canada shares its seat with a group of Caribbean tax havens. This group is often the target of distinguished criminologists who consider them to be connected to drug trafficking in some shape or form. Canada should be asking itself some moral questions if it wants to be credible, if it wants to be able to say eventually that it takes part in a peer review mechanism and that its presence makes the process credible. This is not the case right now.

● (0945)

[English]

The Chair: *Merci.*

We'll go to Mr. Brison, please.

Mr. Jeffrey Owens: May I just come in for one moment?

The Chair: Okay, but please be very brief, Mr. Owens. I'm trying to share as many rounds as I can.

Mr. Jeffrey Owens: One of the questions asked whether you can actually force taxpayers to put on their tax returns whether or not they have offshore accounts. The answer is yes. Many countries do, and they back that up with penalties.

The Chair: Thank you for that.

We'll go to Mr. Brison for a five-minute round, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much, Mr. Chairman.

Thank you very much to each of our witnesses for appearing before us today and informing our thinking on this important issue.

Madame Alepin, you said earlier today that Stephen Harper's government seems ambivalent to tax havens. I'd like you to explain that. You have also, on previous occasions, written similarly that more could be done.

Why do you think Prime Minister Harper is being ambivalent to tax havens? At a time when we have a \$56 billion deficit, I would think the Prime Minister and his government would want to identify and retrieve as much revenue as possible. Do you have any insight as to why the Prime Minister would be ambivalent?

[Translation]

Ms. Brigitte Alepin: That is a question for the Prime Minister.

As I said in my testimony, the federal government's stand on tax havens seems ambivalent. On the one hand, it keeps saying that it wants to do something about tax havens. On the other hand, I testified before Christmas at a commission on international trade where the signing of a tax treaty with Panama was being negotiated. When we sign tax treaties with tax havens, we allow revenues that should have been taxed in Canada by the Canadian government to be exempted from taxes completely. We allow them to pass through tax havens where there are no taxes and we let them come back on Canadian soil without being taxed.

If we want to do something internally, it is true that there is much to be done on tax havens and it must also be done internationally. But there are still things that can be done nationally, such as limiting tax agreements. I am not talking about the tax information exchange agreements that Mr. Owens explained earlier. I am talking about tax treaties. Canada should have restrictions on signing tax treaties with tax havens. More review processes should be implemented and more money should be invested in the review processes of all transactions that take place in tax havens. In my view, we should also try to be more creative when it comes to informants. We have to be more daring in terms of information methods. I think the Canada Revenue Agency should consider the current trend towards having major informants.

● (0950)

[English]

Hon. Scott Brison: *Merci.*

Monsieur Deneault, you mentioned Halifax earlier. I'd like you to elaborate further with some specific examples of Halifax and Nova Scotia Business Inc., the province's crown business promotion agency. I would like examples of cases in which, as you have implied, Nova Scotia Business Inc. is involved in business dealings with tax havens and in offshoring money, potentially illegally. Those are serious implications, and I'd appreciate your elaboration on this matter with some specific examples.

[Translation]

Mr. Alain Deneault: We have seen that, through announcements, official documents and so on, there are significant tax incentives in Halifax that even lead companies in Bermuda to hire accountants in Halifax, accountants that can no longer be found in Bermuda. So we are moving in the opposite direction. These are no longer companies that leave constitutional states for tax havens; these are corporations that, once they are in tax havens and are looking to hire people, go to Halifax to enjoy the benefits that are clearly designed to get them to hire accountants there, allowing, in the insurance industry—

[English]

The Chair: This is the last question, and a brief one.

Hon. Scott Brison: But you're not alleging illegal activity. Surely to goodness, Nova Scotia Business Inc. would not be making public announcements. That wouldn't strike me as being prudent.

You're not alleging illegal activity, and there's a difference between tax avoidance and tax evasion. Are you suggesting tax evasion?

[Translation]

Mr. Alain Deneault: I really believe that players in this field are clever enough to avoid illegal situations. I have a problem with two things. The first thing is that the activity in Halifax has its roots in Bermuda, where it is very difficult to know whether what goes on is legal or not. We know that money laundering methods are so sophisticated today that we cannot distinguish between what is illegal and what is not. Justice Jean de Maillard explains it very well, among other things. Second, we won't be solving the problem if we start differentiating between what falls under tax avoidance and tax evasion, meaning what is legal and what is illegal, simply because it is lawmakers who decide what is legal or illegal. So, if we start legalizing wrongdoings, we will not be making any progress.

The Chair: Thank you very much.

[English]

Hon. Scott Brison: Mr. Chair, further comments—

The Chair: Sorry, Mr. Brison. We will have at least two more Liberal rounds.

[Translation]

Mr. Carrier, the floor is yours.

Mr. Robert Carrier (Alfred-Pellan, BQ): Good morning, ladies and gentlemen.

The useful information you provided us with shows that this is a somewhat daunting problem. Ms. Alepin, you said earlier that, despite all your knowledge in the field, even if you were the prime minister of this country, you would not be able to eliminate tax havens or tax evasion. That seems to be an admission of impotence. I hope that's not all there is to it. If that's the case, we might as well stick our heads in the sand and let things be.

I would like to ask you a question, but don't be afraid to give me a glimmer of hope that things will improve. Let's take the example of our five major Canadian banks that have 79 subsidiaries set up in tax havens. Since those countries have been identified as tax havens, this means that we are letting our Canadian chartered banks set up their

branches in tax havens. They told us themselves that they saved their clients \$1.3 billion in taxes by setting up shop in these tax havens. It doesn't make any sense. Words and actions don't match. We want to eliminate tax evasion, but we let our financial institutions get this whole system going.

Could you explain why our government allows chartered banks to operate this way, since this is official information?

• (0955)

Ms. Brigitte Alepin: In this whole discussion about tax havens, we must remember one main thing. As Mr. Owens said, we must deal with globalization, which is here for good. We cannot take a step back. Ever since we have been faced with globalization, when we want to do something about tax havens or tax rates, we keep making the strong argument that our major corporations must be competitive internationally.

That is why I said that, even if I were the Prime Minister of Canada, I wouldn't be able to face the tax haven problem and solve it by myself because it has to be an international initiative. I would probably work very hard on an international initiative. It has to be an international approach since our Canadian multinational corporations must be able to take advantage of a tax system that will still be competitive internationally.

That should always be a priority for us. Unfortunately or fortunately, all states have been losing some of their autonomy in terms of taxation and tax policies since the beginning of globalization. This is the reality we have to deal with.

But I would like to go back to the earlier remarks. If Canada really wants to take action, you have suggested a great idea, Mr. Carrier. It is true that we could ask that banks limit the access to bank accounts in their branches in tax haven. The idea to tell the Canadian government to stop signing tax treaties with tax havens would probably come first in the list of ideas that I am personally in favour of.

Mr. Robert Carrier: Precisely, in terms of agreements with other countries, quite often we make the so-called positive argument that these agreements could include a tax information exchange. Could the tax information exchange eliminate or, at the very least, ease or minimize tax evasion?

Ms. Brigitte Alepin: Absolutely. It is a matter of first establishing an international discussion platform and coming to an international agreement on the way to proceed, whether with minimum tax rates, information exchange or global regulations. Since we have been globalized, the taxes on multinationals must be discussed globally. As soon as it is a question of information exchange, all countries should come to an agreement and apply it progressively, all together—that's a fantastic idea.

It really is a great idea, but each country has to cooperate, even within the state. Internally, countries must not go against it and must allocate the resources required to implement the information exchange standard.

The Chair: Thank you.

[*English*]

We'll go to Ms. McLeod, please, for five minutes.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I'm also very pleased to be joining you on this committee.

I want to pick up on something Mr. Owens said. I think it was related to the issue of the tax gap. He said it's there, it's big, and we need to deal with it.

It sounds as though you're not looking to quantify it. Could you talk a little bit about the actual complications of trying to quantify that issue?

Mr. Jeffrey Owens: Measuring the tax gap is prone to conceptual and practical difficulties. A starting point is that even if you could measure it, you would not want to collect every single dollar of outstanding taxes. You would end up with a lot of your constituents complaining to you that Canada Revenue Agency was being too aggressive. If you say that the tax gap is \$100 billion, don't think that the \$100 billion is just waiting out there to be pulled in.

The second issue, of course, is that if you could measure it accurately, you could very simply probably tax it.

I think that the most productive thing to do is track what progress Revenue Canada is making. Are they in fact increasing the yield from offshore non-compliance? Are their risk management tools identifying the sectors and the types of taxpayers that are most prone to evasion? That's the way you can see whether or not progress is being made in closing the tax gap.

Some countries have tried to measure the tax gap, and probably the best example is the United Kingdom, which looked at the gap under the VAT. I think what they found was that the absolute figure is far less interesting than a time series, which actually shows you what's happening in terms of whether you're doing the right thing and whether you're closing the gap.

I think you just have to be very careful and not see the tax gap as some sort of silver bullet that's suddenly going to solve an issue.

• (1000)

Mrs. Cathy McLeod: Thank you.

I presume it would also take fairly extraordinary resources that could also be better focused in terms of the actual process.

I'm somewhat new to this committee. It sounds as though we have countries that don't have any agreements, period. We have a number of countries that you identified as not moving into phase 2, and then some that are looking pretty good in terms of what they're doing and where they're going. Can you take that down from a 30,000-foot level to a 10-foot level in terms of what the implications are, what measures we are moving towards in countries that haven't signed agreements, and where we are going with the countries we've signed

agreements with that are not very successful? Can you talk a little bit about what's happening there?

Mr. Jeffrey Owens: We prepared a background document for this hearing that sets out where the 96 countries that participated in the global forum stand in terms of agreements. What we've seen since April 2009 is that the vast majority of these 96 countries are now in the category in which they actually have more than 12 agreements.

When we set the threshold of 12, we thought it was very ambitious. We were very surprised, in fact, at how quickly countries got up to 12, but 12 is not the end of the game. We always say that if you have 12, you still have to respond positively to any requests by a country for another agreement. Don't see the 12 as a ceiling; see it very much as a floor from which you need to move on.

Currently where we stand is that a vast majority of onshore and offshore financial centres have these agreements. They're all good agreements, because we verify that they meet the OECD standards. The 18 reviews that we've done so far show that of those 18 countries, 12 already make it. They have the framework in place to maintain an effective exchange of information. Six don't. The six that don't primarily are countries that either don't have good international agreements—tax information exchange agreements or double taxation agreements—or countries that don't have good access to information. We have identified the changes we want in these six countries and now will be monitoring that they make those changes over the next year.

The Chair: You have 30 seconds.

Mrs. Cathy McLeod: You talked about moving from bilateral to multilateral. Have we made good progress there?

Mr. Jeffrey Owens: Yes, we have. When you move from the bilateral to the multilateral, it's always more difficult, but at the end of the day, if we want to confront global taxpayers, whether individuals or large multinational corporations, the ideal way of doing it is by multilateral conventions, so we're supplementing these bilateral agreements with multilateral conventions. These multilateral conventions initially are between the OECD countries, but we want to take these out; we want to have other G-20 countries that are not OECD countries come in and we want developing countries to join us as well.

It's not going to be easy; it does take time, and there are issues of confidentiality. Canada, for instance, will not give information to a country unless they know that the country can protect the confidentiality of the information. However, I'm confident that the future very much lies in extending this multilateral agreement to as many countries as possible.

The Chair: Thank you.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for coming forward. These are interesting topics. I have a couple of questions, but I'm not sure if I'm going to get past the first one.

It's not necessarily confusion, but I'm still trying to get my head around the legitimacy or the real reason to transact with offshore banks, especially if you are Canadian. What I'm seeing here is that there is a criminal element and then there is a legitimate element, one in which there is a business case for it.

I'm not sure I understand the business case. Where do we draw the line? When is it okay to transact with an offshore bank or a tax haven country? The question is to the three panellists.

• (1005)

[Translation]

I believe you brought it up, Ms. Alepin, or you sort of answered it by saying that it is a global problem and that companies abroad must have room to negotiate or come to an agreement. If we head towards a global agreement, will there still be room for tax havens?

Ms. Brigitte Alepin: In my opinion, if industrialized countries or all countries multilaterally agree on the approach to deal with tax havens, the problem of unfair competition triggered by tax havens could be eliminated almost instantaneously. The problem is that we are at a crossroads right now.

Mr. Massimo Pacetti: We are where?

Ms. Brigitte Alepin: We are at a crossroads. Each country has lost its autonomy in taxation when it comes to taxing multinationals. But in fact, countries are not ready to let go of their financial autonomy, which could be the result of any global discussion on taxing tax havens. So we are at a kind of impasse; we know something has to be done at international level, but we are not yet quite ready to do it. What the OECD is doing is very good. Information is being exchanged and that is a good start. It can be improved, in my opinion, and, for the reasons I mentioned earlier, the system must be improved. Basically, having countries agree to tackle this global problem is a first step.

Mr. Massimo Pacetti: Thank you.

[English]

Mr. Owens, do you have any comments?

Mr. Jeffrey Owens: Perhaps I could come in there, because I talked a lot about the exchange of information work that we do. In fact we do much more work on improving compliance more generally. We look at how countries can do joint audits, how they can put in good risk management systems, how they can deal with the problem—

Mr. Massimo Pacetti: Sorry, Mr. Owens, but I understand the compliance aspects and all that. I'm asking you if there is really a place for tax havens.

Mr. Jeffrey Owens: My answer would be yes.

Mr. Massimo Pacetti: Do legitimate multinationals need to do business with tax havens?

Mr. Jeffrey Owens: The simple answer is that there is not a place for tax havens as tax havens; there is a place for them in offering neutral environments in which multinationals can operate.

In other words, if a multinational is using a tax haven to evade or avoid taxes that are legally due, that's unacceptable.

Mr. Massimo Pacetti: But why else would they use a tax haven?

Mr. Jeffrey Owens: Sometimes what you're talking about is having a regulatory and financial environment that facilitates transactions that you could not do onshore. Take captive insurance companies as an example. Why do captive insurance companies go offshore from the United States? It's because they couldn't do their business onshore.

So there are some legitimate reasons for multinationals to use them. There are also legitimate reasons that individuals may use them. If you're living in a Latin American country where you fear being kidnapped or where it's politically very unstable, you may want to have your money offshore.

Mr. Massimo Pacetti: Thank you.

The Chair: You have 30 seconds.

Mr. Massimo Pacetti: Okay.

I have one quick question for you, Mr. Owens. The investment in tax collection provides, you said, a quick return. Does it provide a long-term return, or is it a one-time effect? Do you increase your collectors and get a whole bunch of money, and then it sort of stagnates, or...? Do you have any statistics for that?

Mr. Jeffrey Owens: We don't have any statistics, but I think once you bring money that's been outside of the tax system into the tax net, it's very hard for that money to escape again. You would know how much a Canadian resident would own in terms of capital in a place like Switzerland, so it would be very hard for him to come around in year two and say, "Sorry, I don't have that." I think you'll find there's both a short-term gain and a long-term gain.

• (1010)

Mr. Massimo Pacetti: The question would be whether it would be easier just to charge something like a 10% or 15% penalty to have people bring back their money. I know that some of the countries in Europe have done that rather than hire a whole collection team.

Mr. Jeffrey Owens: I don't think it's an either-or situation. I think you need to back up with better compliance and better audit, and with disclosure regimes that encourage people to come forward.

I personally don't like amnesties. Voluntary disclosure regimes are not amnesties because you pay your tax and you pay your interest. You may have some flexibility, but you have to make sure these are targeted and that they are in fact time-limited in order to encourage people to come forward quickly in terms of declaring their offshore wealth.

Mr. Massimo Pacetti: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you.

We'll now go to Ms. Block, please.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for being here today and to Mr. Owens for joining us.

I appreciated all of your opening remarks. What's obvious to me is that this is a very complex issue.

Mr. Owens, you mentioned in your opening remarks that there are a number of drivers in addressing this issue. Then you highlighted that the main one would be a non-tolerance of non-compliance. You also stated that it's one thing to have agreements in place, but what we want to see is action on the ground.

Could you expand on what you mean by "action on the ground" or summarize what you think some of that action should be?

Mr. Jeffrey Owens: As I said, this is not just a question of raising more revenue, although that obviously is important. It's also a big issue that honest taxpayers know that the tax burden is fairly shared, and it's also a question of making sure that legitimate companies are not put at a competitive disadvantage by illegitimate companies that are prepared to use tax havens to gain a competitive advantage.

What did I mean by action on the ground? Basically, it is that these agreements now need to be implemented. Canada, like other countries, needs to be able to ask the tax havens that have agreements to help them in terms of compliance to provide the information Canada needs to ensure that Canadian residents are not using places—whether it's Panama, Bermuda, or anywhere else—to evade Canadian taxes. That's the work that is now under way.

Mrs. Kelly Block: Thank you.

To follow up on other questions with regard to financial institutions, how effective are the tax information exchange agreements in increasing tax transparency and decreasing bank secrecy in tax havens and offshore financial scheme centres?

Mr. Jeffrey Owens: Well, in fact, in the two standards that we have, one standard is on transparency, so you can't have bank secrecy and you can't have bearer shares. You have to be able to get behind beneficial ownership arrangements. In other words, you need to have a transparent system in place, and then you have to be able to exchange this information with your trading partners, which requires that you have some agreements.

In a sense, I think we already have a universal endorsement of these standards, and we have 600 agreements that are implementing them. We now need to make sure that they are implemented in a coherent and effective fashion.

Mrs. Kelly Block: Thank you.

I have one last question. In the slides you gave us, you referenced the TRACE project. Can you tell me a little bit about the TRACE project?

Mr. Jeffrey Owens: Yes, I actually skipped over that. It's a pretty complex area. It basically involves how you go about taxing income from collective investment vehicles.

The challenge for governments is how you find a balance. On the one side you want to make sure that tax does not act as a barrier to the effective operations of capital markets, particularly the national capital markets, but on the other side you want to make sure that the people who use these markets are in fact paying their fair share of taxes. The TRACE project is intended to achieve those twin objectives.

Mrs. Kelly Block: Thank you.

The Chair: You have a minute and a half, Ms. Block, if you wish.

Mrs. Kelly Block: Mr. Hiebert...?

The Chair: Go ahead, Mr. Hiebert, briefly.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

I noticed also, Mr. Owens, that on page 7 of your document you talk about peer reviews. Eighteen reviews have been agreed on. You list a bunch of countries. A number of countries have failed to move to phase 2. Could you just explain to us what these reviews are about and what the significance is of a failure to move to phase 2?

Mr. Jeffrey Owens: Yes. The process has been set up collectively by the 96 countries that are within the forum. The reviews are always done by two assessors, two countries, and a member of the OECD secretariat. It's very impartial. The rules are the same whether you're a large country or a small country, an offshore centre or an onshore centre.

What happens is that we collect the information for a particular country and then put it together. It's then presented to what we call our peer review group. If they say yes, this country passes on to the next stage. In other words, it moves from phase 1, which is the review of the legal framework in a country, to phase 2, which is whether or not there are practical impediments to the effective exchange of information.

Each of the reviews contains recommendations for changes. For 12 of the countries, we felt that the recommendations were not that important, so they could move on to phase 2, but for six countries we decided the changes were so important that they should not move on to the next stage until they have remedied those deficiencies.

•(1015)

The Chair: Okay, thank you.

We will have time for another round. Thank you, Mr. Hiebert.

We'll go to Mr. Szabo, please.

Mr. Paul Szabo: Thank you.

On the question of the voluntary disclosure program in Canada, the last time it came up in Parliament I think it had to do with Mr. Mulroney's tax returns.

There have been some changes in Canada, as I understand. Are you aware of the arrangements under the voluntary disclosure program with regard to offshore amounts? No?

The website of the National Union of Public and General Employees makes the allegation that the government is allowing those with secret offshore bank accounts to disclose that fact without paying a penalty. They go on to say that auditors only go back a maximum of 10 years when determining the amount owed, but previously voluntary disclosure led to an assessment of penalties and interest that compounded over multiple decades.

Are you aware of changes in the government approach to dealing with those who have been found to be evading taxes? Would anyone like to comment?

[Translation]

Ms. Brigitte Alepin: As far as I am aware, the voluntary disclosures program has stayed essentially the same. I have had occasion to work with situations like that. When Canadian taxpayers have accumulated money in offshore tax havens and they want to bring it back into the country, or when they get the feeling from information in the media that tax authorities could be taking an interest in their case, they do a voluntary disclosure. That may allow them to avoid a significant tax penalty, or, in the worst cases, a prison sentence. The program has had some success in Canada. It is along the lines of programs in effect in other industrialized countries.

[English]

Mr. Paul Szabo: Tax evasion by using offshore havens, etc., is a very sophisticated method of evasion. It also involves billions and billions of dollars. Is there any suggestion that somehow the penalties and the consequences should be increased to reflect the gravity of the crime committed?

[Translation]

Ms. Brigitte Alepin: That is a very good question. When we are discussing a situation like that, we have to remember that essentially two kinds of taxpayers use tax havens. There are individuals who are simply trying to avoid paying tax by hiding money in offshore accounts in tax havens. Then there are multinationals who are, by legal means, not paying what might be considered their fair share of taxes.

If you increase the penalties, you are going to target the taxpayers who are hiding money in tax havens. There, yes, it is a good idea to increase the penalty as a deterrent, in an attempt to limit the attractiveness of tax havens. But I think that there must be measures on the other side too. Otherwise, the risk is that some taxpayers will be made to suffer simply because they are the ones who have been found out. The measures in place are largely aimed at tax evaders, and they are mostly private individuals.

• (1020)

[English]

Mr. Paul Szabo: I have one last question. Are you aware of the Canadian Institute of Chartered Accountants, the Canadian Tax Foundation, or the Law Society of Upper Canada having any initiatives ongoing right now to address tax evasion through use of offshore tax havens?

[Translation]

Ms. Brigitte Alepin: I am not sure whether the organizations you mention are the same ones I am referring to. I know that steps have been taken. The question of raising some penalties has been discussed. Personally, I would say that, if you choose to increase penalties, you will also have to look at the situation of the multinationals and limit the attractiveness of tax havens for them as well. They generate greater amounts in taxes.

[English]

The Chair: Thank you. *Merci.*

We'll now go back to Mr. Hiebert, please.

Mr. Russ Hiebert: Thank you.

Mr. Owens, you were just finishing an answer, and I was asking you to elaborate on the implications of failure to move to phase 2. There are a number of countries listed in your document on page 7. What's the practical implication for them for not proceeding in this process, other than the peer review?

Mr. Jeffrey Owens: In a sense it's an issue of reputation, because all this information is published. You can actually read why Barbados or Panama has not moved on to phase 2. That does not go down very well in the financial community, so there's a reputation price to doing that. They also can't get the final rating, because we won't give a final rating to a country on whether they are compliant or non-compliant until they have completed both phase 1 and phase 2, so it's a pretty important public statement that comes out. We put one out this week, in fact, saying that places like San Marino, the Seychelles, and Barbados are not moving on. It's a pretty powerful statement.

Mr. Russ Hiebert: Okay.

Ms. Alepin, you commented about multinationals legally avoiding paying taxes through complex legal structures that allow them to avoid paying taxes without actually evading taxes. You've basically been telling us that we need to close the loopholes for tax evasion. Are you also saying we need to close the legal loopholes for tax avoidance?

[Translation]

Ms. Brigitte Alepin: Yes, certainly, if you want a comprehensive approach, if you want to limit the use of tax havens as a way for individuals to evade taxes, you have at the same time to limit the use of tax havens by multinationals, accepting that they are avoiding taxes, or planning their taxes, in ways that may not pass ethical tests on a societal level.

Otherwise, you are going to end up with a two-tiered tax system, meaning that you are going to prevent individuals from using tax havens while allowing multinationals to do so. That may seem acceptable in the short term, but, in the long term, the average tax payer may well run out of patience with the tax system.

I think that all countries, not just Canada, need a global approach in order to create a balance between the tax evasion committed in tax havens by individuals, trusts and foundations and the dubious tax planning conducted there by multinationals

• (1025)

[English]

The Chair: You have about one and a half minutes, Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman.

I want to thank our guests for coming today.

Ms. Alepin, I want to thank you for coming again. I think we saw you before the committee back in 2007, and I was a member of that committee. I looked up a quote from you. My translation might not be exact, but you said:

If we want to solve the problem of tax havens, there is only one choice: that is to ask those countries to follow the same rules as other countries, and sit down. One thing is certain: we will not reach that goal overnight. We must deal with this issue internationally.

Do you still agree with what you said to us in 2007?

[Translation]

Ms. Brigitte Alepin: Yes, I do. With the advent of globalization, a whole host of organizations have appeared, dealing with health, with labour matters and with a lot of other areas. That means—

[English]

Mr. Mike Wallace: I appreciate that.

Just for clarification—I may have missed it in translation—I thought you said today that if you were the Prime Minister, you wouldn't sign those treaty agreements. Isn't that part of what you said in 2007 about dealing with our international partners to make sure things happen? Isn't that done through the agreements, through the tax information exchange agreements?

[Translation]

Ms. Brigitte Alepin: No, that is not what I said.

There are two kinds of agreements. First, there are agreements to exchange tax and tax information. Then there are tax conventions that Canada signs. With the OECD, the agreements are about information exchange.

What I said, and what I say again today, is that, if we want to deal with our problem nationally, Canada's option is to be careful which tax conventions we sign. But that certainly does not mean signing fewer agreements to exchange information with tax havens. The two points are separate.

[English]

The Chair: I'm sorry, but we'll have to come back to this on the next round. Thank you.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

I guess the question—and we seem to go around in circles—is about technology. The way it is today, is it easier to evade taxes or to catch the evaders?

The question is for all three of you.

[Translation]

Mr. Deneault, with today's technology, is it easier to identify people who are breaking the law? Is it easier for governments to catch criminals?

Mr. Alain Deneault: You could certainly make the case that technology plays a role in tax evasion on the one hand and in catching tax evaders on the other.

With all the methods we have of tracking wrongdoers—the official documents, the measures, the agreements, the understandings, the commissions, in a word, with everything that we are able to come up with formally—it is interesting to see all the informal dynamics that cause problems. Three French sociologists have looked into the matter, specifically the way in which banks have implemented internationally signed measures against money laundering and the major qualitative jumps that occur between theory and practice. We must not lose sight of that.

So we have techniques, agreements, understandings and standards. But it remains to be seen how they will work in practice if the day comes when health services are working satisfactorily, when there is more money for education and when we see the state really benefiting from the increased revenue. As long as that is not the case, we have to understand that there are a lot of steps in the process intended to catch tax cheats and there are lots of ways in which they can get out of them.

Mr. Massimo Pacetti: Thank you.

Do you have anything to say, Ms. Alepin?

Ms. Brigitte Alepin: It is an excellent question. I would also be curious to hear Mr. Owens answer your question.

The Internet allows a taxpayer to appear in a million jurisdictions and to disappear in a flash if he wants to. That certainly makes tax evasion easier and administration harder for tax authorities. It is easy for a taxpayer to disappear. Who is there, for example, behind an email address?

• (1030)

Mr. Massimo Pacetti: My experience is that it is easy for the CRA people to act if you have a social insurance number. They work with the social insurance number. But, as you said in your presentation, if a person is trying to avoid taxes and opens an offshore account, they won't give their social insurance number.

It seems to me that Department of Finance officials and the CRA are moving very slowly as they try to improve and strengthen the legislation that is presently in place.

Ms. Brigitte Alepin: Exactly. That is a problem that tax authorities are looking into at the moment. They are trying to find ways to make their auditing methods work in the digital world.

[English]

Mr. Massimo Pacetti: Mr. Owens, would you comment in terms of the international level?

Mr. Jeffrey Owens: Yes, I have a quick comment. Technology has clearly benefited both the tax evader and the tax administrator. On balance, the advantage of the tax evader probably exceeds the advantage of new technology for tax administrations. Today, with the click of a mouse, you can move billions of dollars around the world. You can have a credit card or an offshore account. You can go around the world and use that credit card.

It is a challenge for tax administrations to keep pace with these developments in technology so that they can act speedily to counter the use of technology by tax evaders to avoid their taxes.

Mr. Massimo Pacetti: Thank you. *Merçi.*

The Chair: Thank you.

We'll go to Monsieur Paillé, *s'il vous plaît.*

[Translation]

Mr. Daniel Paillé: When it comes to being daring about getting information and looking into all our business, I think that the Canada Revenue Agency is out of date. They are still working with the social insurance number that dates from the same time in the 1940s when our unemployment insurance took the form of stamps in a little pink book. Some things evolve over time.

Let me come back to the question of political will. We were talking about Halifax just now and the subject got our colleague from the Maritimes upset. Yes, it is legal, but that doesn't mean that it is legitimate or ethical, when all is said and done. We have also seen a former minister of finance, a man who became the Liberal Prime Minister of Canada, using specific tax havens for his ships. That was not so long ago.

I would like to emphasize one point. You said that it was all very well to catch an individual who gets hurt as a result, but we also have to catch the company that, in tax terms, is worth a lot more than the individual. I do not know what you think about it, but following this kind of money seems to me to be the same as following drug money. You mentioned drug money, Mr. Deneault. It is all very well to want to arrest kids and prostitutes in the street taking who knows what and getting to the drug traffickers. Wouldn't it be more useful and more focused, at the same time as we are going after the individuals and companies that use tax havens, to go after the middlemen, the banks, the brokers and the professionals who help those people use the tax havens illegally, or too enthusiastically? Would that not be a way to go after the importer, the equivalent of the drug trafficker?

Mr. Alain Deneault: There are clearly political considerations and they must not be solely technical. In fact, it is important to know how lawmakers can show their political sovereignty, meaning what matters they are able to decide.

All your concerns are complex ones and they could be seminar topics. But I would like to go back to one very specific point. I keep thinking of the words of Jean de Maillard, a sitting French judge who writes about these issues. He says that we are in a situation very much like the one you mentioned, drug trafficking. These are the words of a judge. He feels that the law these days is used by multinationals to knock everyone who does not play by their rules out of the competition. In a way, we are using the law to make our citizens and our SMEs pay a significant amount of tax while the multinationals get all the latitude they want offshore in taking advantage of very favourable systems. This is a problem.

How do we solve it? Jean de Maillard himself is conflicted by this historical contradiction of ours, which does not fit with his thinking. He feels that we could do away with tax havens with the stroke of a pen. They are British or American dependencies. Canada has agreements with them. At the same time, it seems that the players who have a lot to gain from tax havens have a very strong hold over lawmakers, who always need fancy footwork to keep watch over interests that are by no means clearly defined.

• (1035)

Mr. Daniel Paillé: It must be said that the players, the people who use tax havens, have strong links with government circles. With lawmakers, certainly, but also with the workings of government. Does it not seem to you sometimes that the government hears, listens and understands, but shows absolutely no will? Mr. Wallace pointed out that Ms. Alepin appeared before this committee in 2007. We have to keep going; at some stage, it has to understand. In 2011, there are differences between conventions on taxes and conventions on information.

I would like to finish by talking about the voluntary disclosures program. Basically, the expectation is that people will ask the

government to forgive them because they did something without permission and that owing up to it will get them out of the penalty.

[English]

The Chair: Okay.

[Translation]

Mr. Daniel Paillé: Don't you get the impression that the price is too high—

[English]

The Chair: *Merci.*

[Translation]

Mr. Daniel Paillé: —given the situation?

The Chair: Make your answer very short, please.

Ms. Brigitte Alepin: Are you asking me if I think the price is too high?

Mr. Daniel Paillé: Yes, because, at the moment, we tell companies that they will not have to pay penalties if they make a voluntary disclosure. That price seems a bit too high to me.

Mr. Robert Carrier: For the government.

Mr. Daniel Paillé: For the government.

Ms. Brigitte Alepin: That is because the penalty has to be a light one. You have to give people a carrot in order for them to make a voluntary disclosure. There really is no other way to go about it. Otherwise, you have to put an end to the voluntary disclosure program.

But it is still a good question. Of course, in situations like this, it is difficult to tell people that they are going to get absolution. From a political point of view, or even from an ethical one, there is some difficulty with that way of thinking. But the whole voluntary disclosures program essentially rests on it.

[English]

The Chair: *Merci.*

We'll go to Mr. Wallace, please.

Mr. Mike Wallace: Thank you.

Just to follow up, I appreciate the clarification, Madame Alepin. You started your presentation talking about the Prime Minister, but then in your statements you said that even if you were the PM of Canada today, you couldn't solve the problem on your own and you wouldn't say it's due to lack of political will.

I understand the difference between the TIEAs and a tax treaty. I think we have 87 to 89 tax treaties. Our country is one of the leaders in the world in the number of tax treaties we have with other countries.

You're suggesting today that we continue along with that process and that we need to accelerate the continued activity of this government in signing tax treaties. You're not a big fan of the TIEAs, because you don't think we should be signing information exchanges with countries that are what you consider to be tax havens.

[Translation]

Ms. Brigitte Alepin: No.

[English]

Mr. Mike Wallace: We've signed 11 or 12 of them, and we have 14 under negotiation. Should we stop trying to do those important tax exchange information agreements?

[Translation]

Ms. Brigitte Alepin: Let me say it again just so that it is very clear. First, if I were the Prime Minister, or any head of state on the planet, it would be almost impossible to solve the tax haven problem domestically without working with other countries. Second, I think that the OECD initiative on information sharing agreements is a very good one; I encourage Canada to sign as many of those agreements as possible and to do everything it can to put them into effect. Third, I find it regrettable and sad that Canada is signing tax agreements with tax havens.

If we want to do something about the tax haven problem domestically, this is one of the only options that Canada has, I feel. The fact that, as late as December 2010, I was here for a discussion about an agreement with Panama, shows that Canada seems to want to continue signing tax agreements with tax havens.

It was you who asked the question.

• (1040)

[English]

Mr. Mike Wallace: In my view that's how you solve the problem. By not signing agreements with these folks, with the standards that are out there for improvement in tax information and tax treaties, nothing will get resolved. That's why you have to move on these things. It's exactly against the argument she's making.

Thank you very much.

The Chair: I don't know if we want to get into it.

[Translation]

Mr. Daniel Paillé: I don't understand.

[English]

The Chair: I'll just follow up on that. I have a very brief question for Mr. Owens.

My understanding is that Madam Alepin is suggesting that the government pursue as many tax information exchange agreements as possible with other countries. Am I correct in that?

[Translation]

Ms. Brigitte Alepin: Yes, you are correct.

[English]

Mr. Jeffrey Owens: You're correct, and the government should not only sign the agreements, but get them ratified as well.

The Chair: Okay. Thank you.

Go ahead, Madame Alepin.

[Translation]

Ms. Brigitte Alepin: Exactly. When I started my tax practice, I wrote in my first book that I found it regrettable that there was no way to get access to information in tax havens. So I commend this initiative; it is not perfect, but it is a very, very good start.

[English]

The Chair: *Merci.*

My final question is for Mr. Owens.

Ms. Block asked you how effective these agreements have been from an OECD perspective. Do we have a sense of how effective they have been to this point, or is it too early to judge?

Mr. Jeffrey Owens: In the case of the Canadian agreements you are too early, because even though many of them are signed, they are not yet ratified. If I look at other countries, I can see that the agreements that have been signed and ratified are already having an impact.

There's the Irish example I quoted. Ireland would not have been able to collect a billion euros in taxes due from Irish residents using Channel Islands accounts if they hadn't put these agreements in place. Countries that have gone further down the road than Canada are already seeing an impact in terms of extra revenue.

The Chair: Okay. Thank you.

I want to thank our witnesses for being here today for this very important discussion. We will continue this on Thursday. If you have anything further to share with us, please do so. We'll ensure that all committee members get it. We especially want to thank Mr. Owens for being with us from the OECD in Paris.

[Translation]

Thank you very much for your presentations and your answers.

[English]

We will see you on Thursday, colleagues.

The meeting is adjourned.

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