

# Study on Tax Evasion and the Use of Tax Havens

Remarks by Marion Wrobel

Vice President, Policy and Operations

Canadian Bankers Association

for

House of Commons Standing Committee on Finance

---

February 14, 2013

---

Ottawa

---

CHECK AGAINST DELIVERY

---

Good morning. We are very pleased to be here today representing the Canadian Bankers Association and our 54 members, which includes domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada. We welcome the opportunity to talk about taxation and in particular how our strong, stable banks contribute to Canada and the Canadian economy.

Throughout the recent global financial crisis Canada's banks remained strong – none needed a bailout and not one was in danger of failing. Today, our well-managed, well-regulated banks continue to contribute substantially to the economic health of this country by:

- Employing more than 270,000 Canadians across the country.
- Contributing approximately 3.4 per cent or \$55.5 billion to Canada's GDP.
- Paying \$11.1 billion in dividends to shareholders.
- Providing financing to 1.6 million small and medium-sized businesses.
- And paying \$8.7 billion in taxes to all levels of government.

Banks pay all taxes due on their business income in Canada and in other countries where they do business. Like many other Canadian businesses, banks are increasingly becoming export-oriented, growing their business operations abroad with well-established subsidiaries in countries across the globe.

By competing globally and earning foreign income, banks not only bolster Canada's international reputation, they generate important economic benefits here at home. These benefits include highly-skilled, high-paying head office jobs and higher profits from which dividends are paid to Canadian shareholders. It is important to remember that most Canadians are shareholders in Canada's banks through the Canada and Quebec Pension Plans, their employer pension plans, RRSPs, mutual funds and direct investments.

We are pleased to have this opportunity to participate in the continuation of the Finance Committee's study on tax evasion. I would to reiterate a couple of points we made during the CBA's appearance on this topic in the last Parliament.

First, Canadian banks do not promote tax evasion by their clients in Canada or in any other country. In fact, banks have comprehensive corporate governance regimes to ensure that the products and services they offer are not used for the purpose of evading taxes. Banks fully comply with the letter and spirit of all laws, regulations and reporting requirements designed to detect and prevent tax evasion.

Second, Canadian banks do not evade taxes. They firmly adhere to the laws in Canada and in other jurisdictions where they carry on business, including those designed to deter illegal activities such as tax evasion and money laundering. Banks are subject to regular oversight by Canadian tax authorities and the banks' prudential regulator, OSFI.

As mentioned, CBA member banks have comprehensive governance and compliance regimes to prevent tax evasion. These regimes include:

- Management and Board committees to oversee a bank's risk management practices.
- Management and Board committees to oversee regulatory compliance with applicable laws, including tax laws, securities laws and other rules imposed by banking supervisors.
- "Know your client" rules.
- Employee codes of ethics.

Banks are also subject to legislative requirements designed to control money laundering, which includes the proceeds of tax evasion. These requirements include:

- Reporting suspicious transactions, cash transactions above \$10,000, and international electronic funds transfers of \$10,000 or more.
- Account record keeping including intended use of an account.
- Ascertaining the client's identity including beneficial ownership information.

Banks take these responsibilities very seriously. Tax evasion is bad business and reputable financial institutions want no part of it.

## **Measures to prevent tax evasion**

I would like to conclude by briefly commenting on measures that have been taken to prevent tax evasion.

CBA members fully agree with the emphasis that the G-20 leaders have placed on tax transparency and the exchange of information as the best vehicle to combat tax evasion.

This approach is working. The OECD's Global Forum for Tax Transparency now has 118 countries as members. As of December 2012, 90 countries have already substantially implemented the OECD's Standard for Tax Transparency, which includes provisions to allow a country, like Canada, to obtain information about specific taxpayers if it has reason to believe that the person is evading taxes.

Canada has taken a leading role in this initiative. Canada has built on its already-substantial network of tax treaties by concluding tax information exchange agreements with 18 jurisdictions and is currently negotiating agreements with 12 others. Furthermore, Canada has already signed 90 tax treaties – almost all of which are fully compliant with the OECD standard.

We are pleased that the Canadian government has made this a priority and we encourage the Government to pursue more such agreements.

Thank you for your attention. We would be pleased to answer any questions from members of the Committee.