



*"Taxes Are The Price We Pay
For a Civilized Society"*

- Oliver Wendell Holmes Jr.



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How Canada Fell Short at Global Corruption Summit

Submitted by Claire Woodside on May 18, 2016 - 12:46pm

Canada is a good place to incorporate an anonymous shell company. The Panama Papers leak revealed that this is exactly

how Mossack Fonseca marketed Canada to its clients, reinforcing a recent academic study that found that Canada was one of the easiest countries in which to register a company without proper identification.

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The degree of company secrecy in Canada should hardly come as a revelation. A risk assessment undertaken by the Canadian government itself noted that Canadian corporations are highly vulnerable to money laundering and terrorist financing

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because of their ability to conceal their true (or “beneficial”) owners.

Despite this, at the Global Anti-Corruption Summit in London, U.K., last week Canada failed to capitalize on our attendance and make a strong commitment to address this problem. With France, Nigeria, and Afghanistan all joining the U.K. in their commitment to implement public registries of the legal and beneficial owners of companies, and Australia, New Zealand, and Ireland (amongst others) poised to take similar action, Canada was well positioned to make a similarly strong commitment on the issue.

Instead, Canada committed to “explore” how Canada can collect timely, accurate beneficial ownership information. While this is a step in the right direction, it hardly recognizes the pressing importance of this issue in the domestic and global fight against tax evasion, money laundering, and terrorist financing.

Consider this:

- Anonymous shell companies cost Canadian taxpayers money, because they make it harder for tax agencies to pursue tax cheats, and easier for companies and individuals to evade taxes. Canadians for Tax Fairness estimates that federal and provincial governments in Canada lose \$8 billion a year to tax havens;
- Anonymous shell companies enable corrupt regimes: a recent World Bank study found that of more than 200 cases of grand corruption, 70 per cent involved the use of anonymous shell companies;
- Anonymous shell companies play a central role in money laundering and terrorist financing, helping to facilitate the flow of somewhere between \$800 billion and \$2 trillion in laundered money each year according to the UN.

Creating a public registry of the beneficial owners of companies has a wide range of positive impacts, from enabling financial institutions to better conduct due diligence of their customers, to improving investor protection and enabling law enforcement, in Canada and abroad, to better track and prosecute corruption cases. This is a critical issue, which the Panama Papers has put firmly in

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As Canada takes steps to address tax evasion, such as investing significantly in the Canada Revenue Agency with the hopes of adding billions of dollars of additional revenue to government coffers, a commitment to increase beneficial ownership transparency is a natural next step. Currently, provincial and federal governments maintain separate corporate registries, each collecting and making public a wide variety of information that creates a complex and often opaque corporate landscape.

A clear federal commitment to create a centralized public registry will place beneficial ownership transparency firmly on the agenda of ministers and bureaucrats, driving forward federal-provincial co-operation on this issue.

While Canada has missed its opportunity to make this commitment at the Global Anti-Corruption Summit, there is another looming opportunity to do so. This summer, Canada will release its 2016-2018 Action Plan on Open Government. Publish What You Pay Canada, Transparency International Canada, and Canadian for Tax Fairness, amongst others, have called on the government to make beneficial ownership transparency a key commitment in the action plan.

Let's just hope they don't miss this opportunity too.

Claire Woodside is the Ottawa-based director of Publish What You Pay Canada and a board member of Transparency International Canada. This piece first appeared in the Hill Times.



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