



INQUIRY OF MIN 2017 - 09 - 19  
DEMANDE DE RENSEIGNEMENT AU GOUVERNEMENT

PRÉPARE IN ENGLISH AND FRENCH MARKING "ORIGINAL TEXT" OR "TRANSLATION"  
PRÉPARER EN ANGLAIS ET EN FRANÇAIS EN INDIQUANT "TEXTE ORIGINAL" OU "TRADUCTION"

QUESTION NO./N° DE LA QUESTION 48	BY / DE Honourable Senator Downe	DATE April 4, 2017
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Reply by the Minister of National Revenue  
Réponse de la ministre du Revenu national

Signed by the Honourable Diane Lebovillier

PRINT NAME OF SIGNATORY  
INSCRIRE LE NOM DU SIGNATAIRE

SIGNATURE  
MINISTER OR PARLIAMENTARY SECRETARY  
MINISTRE OU SECRÉTAIRE PARLEMENTAIRE

QUESTION

With respect to the Canada Revenue Agency (CRA): Regarding the April 11, 2016 announcement by the CRA of measures to combat overseas tax evasion: 1. The announcement referred to an investment of \$444.4 million over five years. How much of that has actually been spent by the Agency as of the end of Fiscal Year 2016-17? 2. The Isle of Man was slated to be the first in a new series of in-depth examinations of potential tax havens. – See full text of the question attached.

REPLY / RÉPONSE

ORIGINAL TEXT  
TEXTE ORIGINAL



TRANSLATION  
TRADUCTION



With respect to the above-noted questions, what follows is the response from the Canada Revenue Agency (CRA).

**Part 1:** Of the \$444.4M investment over five years that was approved by Parliament for measures to combat tax evasion, \$40.1M was provided for 2016-2017. While the final accounting of 2016-2017 expenditures is not yet complete, it is estimated that close to \$35M of the \$40.1M has been spent.

**Part 2:** The CRA is committed to reviewing four jurisdictions and/or financial institutions in fiscal year 2017-2018 to identify high risk taxpayers.

The Isle of Man is part of a new jurisdictional approach. So far, for the entire jurisdiction approach, a total of 41,000 transactions have been analyzed, equaling over \$12B in funds being transferred between Canada and four jurisdictions and/or financial institutions of concern.

Specifically for the Isle of Man:

- \$866M in international electronic transfers over \$10,000 between Canada and the Isle of Man were reviewed.
- As of March 31, 2017, a total of \$150K in federal tax has been assessed and foreign reporting penalties will also be assessed.
- 20 taxpayers were found to be compliant with their income reported and offshore assets disclosed.
- Approximately 79 taxpayers are still under audit in relation to the Isle of Man project.

Date... 19 14 2017

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In addition, criminal investigations related to the tax structures used in the Isle of Man, though currently on-going, are at the early stage and there is no statistical information available at this time. Offshore audits and criminal investigations undertaken by law enforcement bodies, including the CRA, can be complex and require months or years to complete.

Specifically for all offshore related convictions:

During the period between April 1, 2011, and March 31, 2016, the CRA's criminal investigations resulted in the conviction of 42 Canadian taxpayers for tax evasion with links to money and assets held offshore. In total, the \$34M in evaded taxes resulted in court fines of \$12M and 734 months of jail time.

For the 2016-2017 fiscal year, in addition to the Isle of Man, the CRA added two more jurisdictions and one financial institution to the Jurisdictions of Concern project. The second project that is currently under review is Guernsey. To avoid jeopardizing CRA's compliance actions, the names of the third and fourth project, as well as any future jurisdictions being analyzed, will not be publicized.

With regard to "how much money was identified as being owed", please see response to the first question as it contains all statistical information available related to the jurisdiction project.

Regarding amounts being collected, a taxpayer's CRA account includes outstanding debts and refund offsets from several CRA programs. The CRA system reflects the on-going outstanding balance and does not link the balances to any specific debt like an audit assessment. For these reasons, the CRA is not able to provide the information on amounts collected.

**Part 3:** A special program was created called the CRA's Promoter Compliance Centre (PCC). Its mandate is to detect and document promoted aggressive tax schemes and to coordinate compliance actions to combat these schemes.

While final accounting of 2016-2017 expenditures is not yet complete, initial estimates are that \$1.6M has been spent.

The CRA is unable to provide historical annual data as it was not tracked. Since the creation of the PCC we are now able to track this data and we can confirm that the CRA has identified 24 potential schemes during the last fiscal year. In total, the CRA has identified 154 for further review.

It is premature for the CRA to comment on whether the number of criminal investigations has increased and whether charges have been laid as a result. Such audits can be very complex. Likewise, when a file is referred for criminal investigation, the work undertaken by law enforcement bodies, including the CRA, can be complex and require months or years to complete. Timing and progress is dependent on the complexity of the case, the number of individuals and entities involved, the availability of information or evidence, cooperation (or lack thereof) of witnesses or the accused, and the various legal tools that may need to be employed to gather sufficient evidence to establish a case beyond reasonable doubt.

**Part 4:** The Related Party Initiative (RPI) forms part of the CRA's efforts towards addressing the compliance of high net worth individuals and their web of corporate structures. The CRA has invested additional funding received as part of Budget 2016 in this initiative. This investment is expected to generate \$432M of additional revenue over five years.

As of March 31, 2017, the CRA has identified 1,200 RPI taxpayers that it is risk assessing and examining for potential audit. Given the complexity of these structures, audits normally take more than a year to complete. However, in this first year of additional funding, the CRA has already completed 16 audits of high-risk taxpayers that belong to four RPI groups. Preliminary results for the past fiscal year demonstrate that the CRA has generated \$23M compared to the target of \$12.5M.

As previously mentioned, the taxpayer's CRA account includes outstanding debts and refund offsets from several CRA programs. The CRA system reflects the ongoing outstanding balance and does not link the balances to any specific debt like an audit assessment. For these reasons, the CRA is not able to provide the information on amounts collected.

**Part 5:** As at March 31, 2017, 1,745 audits have been completed, this represents an increase of 24% from the previous year.

As previously mentioned, the taxpayer's CRA account includes outstanding debts and refund offsets from several CRA programs. The CRA system reflects the on-going outstanding balance and does not link the balances to any specific debt like an audit assessment. For these reasons, the CRA is not able to provide the information on amounts collected.

The CRA has a total of 1,422 auditors that are currently employed to audit "high-risk multinational corporations".

The two programs identified in the question, namely the former International Audit Program, and the Aggressive Tax Planning Program, do not exist in the same capacity as they did previously in 2009-2010. Some of the functions within the programs have been reorganized and others have changed names. Therefore, a direct comparison of the current program to the 2009 programs is not possible.

The CRA can confirm that in fiscal year 2016-2017, 543 FTEs worked in the Abusive Tax Avoidance Program, 447 FTEs worked in the International Audit Program, as well as 72 FTEs focused on aggressive tax planning within the newly formed Offshore and Aggressive Tax Planning Directorate.

**Part 6:** The Offshore Compliance Advisory Committee (OCAC) was established in April 2016 with a mandate to provide advice to the Minister and to the CRA on administrative strategies to deal with offshore compliance. As of March 31, 2017, the OCAC has had three face-to-face meetings, as well as several conference calls.

In addition to the five OCAC members, each in-person meeting has been attended by CRA officials. The Minister of National Revenue also met with members at the OCAC's inaugural meeting in June 2016.

The first OCAC report was released in December 2016 and contained recommendations for changes to the CRA's Voluntary Disclosures Program (VDP). The report can be found on the CRA's website (<http://www.cra-arc.gc.ca/gncy/ocac-ccoe/menu-eng.html>). The CRA has carefully considered these recommendations as part of its review of the VDP. The CRA has released its proposed changes to the VDP for public consultation. The CRA is unable to confirm when the next report will be issued.

No. 48.

By the Honourable Senator Downe:

April 4, 2017—With respect to the Canada Revenue Agency (CRA):

Regarding the April 11, 2016 announcement by the CRA of measures to combat overseas tax evasion:

1. The announcement referred to an investment of \$444.4 million over five years.
    - How much of that has actually been spent by the Agency as of the end of Fiscal Year 2016-17?
  2. The Isle of Man was slated to be the first in a new series of in-depth examinations of potential tax havens. As of March 31, 2017:
    - What have been the results, in terms of charges/convictions and revenue recovered?
    - What additional jurisdictions have been added?
    - How much money was identified as being owed?
    - And how much was actually collected?
  3. The CRA committed to creating a special program dedicated to stopping organizations that perform and promote tax evasion and aggressive tax avoidance. As of March 31, 2017:
    - Has this special program been created?
    - What resources have been spent on it?
    - How does the number of tax schemes examined compare to one year ago?
    - Has it resulted in more criminal investigations? If so, how many?
    - How many charges have been laid as a direct result of this effort?
  4. The Agency announced a five-fold increase in the number of investigations of so-called "high risk taxpayers" — from 600 to 3000 annually — which would bring in \$423 million in new revenue. As of March 31, 2017:
    - How many examinations have been conducted?
    - How much new tax revenue has been collected?
  5. CRA announced the hiring of 100 new auditors to investigate "high-risk multinational corporations" which the CRA was said to bring in half a billion dollars in five years. As of March 31, 2017:
    - How many examinations have been conducted?
    - How much new tax revenue has been collected?
    - How many auditors are currently employed to investigate "high-risk multinational corporations"?
    - How does this compare to the 440 full-time equivalents (FTEs) in the international Audit Program and the 506 FTEs working in the Aggressive Tax Planning Program in Fiscal Year 2009-10?
  6. The Agency announced the formation of an Offshore Compliance Advisory Committee which, among other things, would lay out a course for the government to finally measure this country's tax gap. As of March 31, 2017:
    - How many times has it met?
    - Who has attended these meetings?
    - When will the committee issue further reports?
    - What recommendations have been made?
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