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# How Canada is cracking down on offshore tax evasion and aggressive tax avoidance

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Offshore tax evasion and aggressive tax avoidance have become more complex, global and aggressive, while continuing to present challenges to tax administrations around the world. In response, the Government of Canada has made a commitment to crack down on tax cheats, and the **Canada Revenue Agency** (CRA) is responding on multiple fronts to ensure that the tax system is more responsive and fair for all Canadians.

With new resources from Budget 2016, the CRA has increased its number of audits and enhanced its risk assessment tools to leverage new information and identify high risk taxpayers. The CRA has increased the number of teams focused on large multinational corporations, increased the number of auditors assigned to offshore non-compliance and high net worth individuals and increased the number of auditors focusing exclusively on promoters of tax schemes. In fact, the CRA has made promoters of tax schemes and offshore tax evasion the focus of the Agency's Criminal Investigations Program and several investigations are already underway.

The CRA already has a proven track record - with over \$218 million in third party penalties against promoters and tax preparers who advised their clients to participate in aggressive or illegal tax arrangements, plans or schemes- and will continue to increase the application of penalties to all cases of serious non-compliance.

With increased information gathering capabilities and better tools at its disposal, the CRA now has access to more information than ever before. For example, since January of 2015, financial institutions have been required to report international electronic funds transfers (EFTs) of \$10,000 or more. This information is invaluable in helping the CRA target jurisdictions and financial institutions of concern.

"These new information gathering tools are helping the CRA focus its compliance efforts," said Lisa Anawati, deputy assistant commissioner for the CRA's International, Large Business and Investigations Branch.

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As part of its ongoing efforts to stop tax avoidance and evasion, the CRA committed to reviewing all EFTs of four targeted jurisdictions or financial institutions of concern in 2016. The Agency is currently reviewing over 41,000 transactions, worth over \$12 billion, from these first four, and plans to expand its efforts in 2017 by reviewing over 100,000 transactions for four additional jurisdictions of concern.

International collaboration is another important tool used by the CRA to crack down on offshore tax cheating. For example, the minister of national revenue recently announced efforts that are being made around the Panama Papers by the Joint International Taskforce on Shared Intelligence and Collaboration Network. A January meeting of this network, which includes over 35 international tax administrations, involved the largest simultaneous exchange of information under tax treaties in history.

Canada is also furthering these internationally collaborative efforts through active participation in a number of international projects, such as the G20/Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting project. Canada is also a signatory of the Multilateral Competent Authority Agreement which provides the authority for the automatic exchange of financial account information and country-by-country reports (CbCR) by large multinational enterprises with participating nations. Starting in June 2018, CbCR will be exchanged with certain other countries and will be used to enhance tax risk assessment tools.

"With 93 tax treaties, 22 tax information exchange agreements and the multilateral Convention on Mutual Administrative

Assistance in Tax Matters, Canada's treaty network is one of the world's largest. By sharing information and best practices, the CRA is better able to crack down on tax avoidance at home, while helping administrations around the world," added Anawati. "We all share in these concerns, which is why these international partnerships have been an invaluable resource for all parties involved."

These efforts will continue to ensure that all Canadians pay their fair share, without having to shoulder the burden left by those who seek to pay less than they owe.

Thanks to efforts deployed on several fronts, the CRA is on track to uncovering an additional \$2.6 billion in revenue for the Crown over the next five years.

For more information, visit <http://www.cra-arc.gc.ca/gncy/cmpgns/crckngdwn-eng.html> ).

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