

Gatineau Monde Lecture Series

Tax Havens hurt Canadians

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Let's say that you own a company, and you don't like the taxes you have to pay. Alain Deneault has the solution for you. Just set up a shell company in a tax haven and funnel business to that company. Nothing needs to move, just some paper. You may need an employee or two in that foreign country, but you can probably hire one locally on the cheap. Besides, way back in kindergarten, according to Robert Fulghum, you learned the importance of sharing, and you may well be able to share these local hires with a fellow tax-avoider. Since Canada has tax treaties with a bunch of these tax havens, you only pay the local tax rate on stuff you manage to shift in that direction. This was supposedly intended to avoid double taxation and in effect ends up resulting in ridiculously low tax, or even no tax at all.

This is the picture Deneault, who teaches sociology at the Université du Québec at Montreal, presented at a session of Gatineau Monde at the Maison du citoyen on April 2. He's written books on the abuses in mining. This has made him and his publisher targets for mining companies using SLAPP's - strategic lawsuits against public participation - to stifle criticism. According to Deneault, the various tax havens may specialize. The Cayman Islands attract financial institutions. He says that there is more money in Cayman Islands banks than in all the banks in New York



Alain Deneault at the Gatineau Monde lecture series. PHOTO: RA

City. The Cayman Islands have no income tax, and bank transactions are all confidential.

In a larger sense, Deneault claims that ten percent of all the money in the world is in tax havens. The consequence is that there is tremendous tax leakage. The rest of us are stuck paying for the taxes that the very rich and the

banks and other corporations are avoiding, and as a result we have impoverishment of schools and health programs as well as roads and bridges. Imagine, he said, the loss to the Canadian treasury of \$53 billion annually "invested" in Barbados.

Deneault took specific aim at the Canada-Panama free trade agreement. According to him, while Canada claims that the treaty will have long-term benefits for both countries, it is lose-lose. On the one hand, it makes Panama a tax haven for multinationals' and criminal gangs and a place for these gangs to launder their money, especially from drug trafficking. On the other hand, because the tax avoiders pay little or nothing in taxes or other fees in the tax havens, the free trade agreements open them up to imports that prevent them from developing their own economies. So just as we suffer because the corporations do not pay their designated share of taxes in Canada, the tax havens involved in free trade agreements suffer because they cannot protect local producers in order to develop their local economy.