

New study by Professor Leo-Paul Lauzon

## Canadian banks and tax evasion in tax havens: 16 billion dollars in evaded taxes

May 27, 2008 - Chair of socio-economic ESG UQAM, Léo-Paul Lauzon published the study "Canadian banks and tax evasion in tax havens: \$ 16 billion tax evaded, "over a period of 15 years, from 1993 to 2007. This is the second study that deals with this theme, the first was conducted in November 2004 and entitled "Canadian banks and tax evasion in tax havens (1991-2003)."

### Objectives and sample

This study aims to quantify the tax evasion by the five largest Canadian banks - Royal Bank of Canada, Toronto Dominion Bank - TD Bank Financial Group, Scotiabank - The Bank of Nova Scotia, Bank of Montreal - BMO Financial, Canadian Imperial Bank of Commerce - CIBC - in notorious tax havens, with subsidiaries that hold them, and this, for the period from 1993 to 2007.

### Methodology

This empirical research is based on historical facts from reports, audited financial statements and notes to financial statements for the income tax.

### Findings

Their study shows that the five largest Canadian banks have at least 89 official subsidiaries in tax havens, as noted in their 2007 annual report, an average of 18 branches each. They believe the actual number of companies related to domestic banks in tax havens is much higher, since these do not enumerate, in their annual reports, subsidiaries legal not to mention their associated companies, satellites, trusts, companies sponsorship and partnership, etc..

The researchers observed that over the last 15 years (1993-2007), the five major Canadian banks have been successful, according to figures from audited financial statements, to evade the Canadian and provincial tax amounting to \$ 16 billion of taxes through tax evasion in tax havens by their subsidiaries.

According to the statement of the five largest Canadian banks, the researchers found that the exemption from taxes of bank subsidiaries located in tax havens is, for the past 15 years (1993-2007), 30% of the Total tax charge on income. According to them, tax evasion by domestic banks in tax havens tend to rise significantly each year, both in absolute terms and as percentage of the annual burden of income taxes. Over the past four years (2004 - 2007), tax evasion made by the five largest banks totaled \$ 6.5 billion, or 41% of tax evasion over the last fifteen years (1993 to 2007 ) and 37% of the income tax on total income (\$ 17.6 billion) of the last four years. Tax evasion banks for the last four years is more than a third of its total load of taxes on income for that period. The researchers observed that in 1993 the five largest banks had diverted \$ 302 million in tax havens. Fifteen years later, in 2007, this flight of income taxes increased and corresponds to an exit tax of \$ 2.4 billion, an increase of \$ 2.1 billion equivalent to 700%.

For comparison purposes, researchers estimate that over the last three years (2004 - 2006) U.S. bank Bank of America paid for itself in the dual income tax, or \$ 25.5 billion, versus 13 , \$ 6 billion paid by the five largest Canadian banks. According to them, Bank of America has accumulated \$ 500 million tax exemption on income through its operations in tax havens over the last three years (2004-2006). This amount accounts for 2% of its total load of taxes on income for that period, compared to the five major Canadian banks that have diverted \$ 4 billion in tax offshore financial centers, corresponding to 29.4% of their total load of income taxes.

### Recommendations

According to the researchers' widespread tax evasion practiced by many Canadian banks and their corporate and individual clients in tax havens, tax evasion is a multi-billion dollars a year greatly mortgage tax fairness in the country and highlights risk the maintenance of our social programs and our goods ". Therefore, they recommend to end widespread tax evasion in tax havens, eliminating tax havens, which would require, they say, a minimum of political will. They reiterate that "tax evasion in tax havens is a fraud which is an annual shortfall of several billion dollars for our government and threatens the country's social security and maintaining our social programs."

For the study: [www.cese.uqam.ca](http://www.cese.uqam.ca)

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