

# Fact Sheet

## Aggressive International Tax Planning Centres of Expertise

The Canada Revenue Agency (CRA) is establishing 11 Centres of Expertise to strengthen and enhance its audit and collection programs to counter international tax avoidance and evasion and aggressive international tax planning. These centres will be located in regional Tax Services Offices across Canada and will bring together international tax auditors and tax avoidance officers. They will develop new ways to track and combat aggressive tax planning and the use of international tax shelters.

Aggressive international tax practices are significant problems that the CRA is addressing. Tax avoidance and tax evasion schemes that involve the abuse of tax havens, for example, are a growing concern, not just for Canada but for all countries participating in the global economy.

Generally, a tax haven can be seen as a jurisdiction with no taxes or a very low rate of tax, a lack of transparency in the operation of its tax system, and a lack of effective exchange of information with other countries. Tax havens usually also have strict bank secrecy laws. There may be legitimate reasons why a tax haven is used. However, tax havens provide opportunities for some taxpayers to avoid or evade Canadian tax. Potential non-compliance by Canadians investing offshore is an ongoing concern of the Canada Revenue Agency because it could erode the tax base.

In the February 2005 Budget, Finance Minister Ralph Goodale announced that the CRA is to receive \$30 million annually to strengthen its capacity to administer the tax system in areas where aggressive tax planning and compliance risks have the potential to erode the tax base. The funds will be used to:

- hire additional resources in international audit and tax avoidance to deal with international transactions;
- train employees on the latest developments in abusive international tax planning;
- work with other countries to detect abusive international tax schemes; and
- develop communications initiatives to inform taxpayers and tax planners about international tax arrangements that may contravene Canadian tax laws.

CRA has already put the following measures into place to bolster its capacity and ability to identify and combat abusive schemes that utilize offshore jurisdictions:

- an increased number of field auditors have been assigned to do both regular international audit work and targeted projects involving offshore jurisdictions;
- new legislation has been introduced to help address potentially abusive situations concerning non-resident trusts and foreign investment entities;



- there has been an increase in staff training on detecting and identifying abusive schemes.

The CRA also participates in a number of groups that work to combat offshore abusive tax schemes, including the Organisation for Economic Co-operation and Development (OECD), the Pacific Association of Tax Administrators (PATA), the Joint International Tax Shelter Information Centre (JITSIC), and the Seven Country Tax Haven Working Group.