OPINION

Why do we keep letting Canada's ultrarich use tax havens to stash wealth?

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Report finds Canada's biggest corporations and wealthiest families have over $682-billion in assets stashed in tax havens around the world, a 165 per cent increase from 10 years ago.

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Imagine, in our incredibly polarized times, a truly unifying issue. A clear problem that everyone from the late great Ed Broadbent on the left to Pierre Poilievre on the right has agreed on. Imagine a policy proposal with 90 per cent popular support.

You can stop imagining. The issue is tax havens. This trick that allows Canada's ultrarich and big corporations to stash wealth and avoid paying their fair share of tax is almost universally loathed. So after decades of public conversation, years of international negotiations and several pieces of new legislation, corporate Canada's use of tax havens must be on the decline, right?

Not a chance. In fact, the problem just keeps getting worse.

A new report from Canadians for Tax Fairness finds that Canada's biggest corporations and wealthiest families have more than $682-billion in assets stashed in tax havens around the world, a 165-per-cent increase from 10 years ago. That's more than the value of every forklift, crane, MRI machine, tractor, transport truck, single piece of machinery and equipment in Canada, combined.

How did we get here?

Simply put, our laws and the people who make them haven't just failed to stop tax abuse, they've actively encouraged it. In the early 2010s, the Harper government signed tax agreements with the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands and Hong Kong. Those five agreements alone led to more than $47-billion in assets being drained from Canada and shifted to tax havens in the five years after.

Opinion: Let's call Carney's Brookfield Bermuda move what it is: tax avoidance, now no longer allowed

The scale of tax haven misuse makes it clear that this isn't an isolated problem exploited by a few bad apples. Our analysis found that more than three-quarters of the companies listed on the S&P/TSX 60 have at least one confirmed subsidiary in a tax haven. These include all of Canada's big five banks, major insurance companies like Sun Life, technology companies like Shopify and energy companies like Cenovus. The use of tax havens by corporate Canada is the rule, not the exception.

In 2024, the 60 companies listed on the S&P/TSX 60 avoided $7-billion in taxes thanks to their subsidiaries being subject to lower tax rates in tax havens than they would face in Canada. Some of these companies have real, tangible operations abroad. But many simply set up subsidiary companies, divert their Canadian profits through a tax haven and then return it to Canada tax-free.

Clearly, this situation is not fair. The ultrawealthy and large corporations that benefit the most from our economy are able to move their assets to low-tax jurisdictions to avoid paying billions in taxes, while the rest of us are left holding the bag.

The cost of this rampant tax haven use to our public purse and our communities is enormous. The Tax Justice Network has estimated that international tax abuse costs Canada about $15-billion in revenue every year. According to the Parliamentary Budget Officer, that's enough to fund both our new dental care program and a single-payer universal national pharmacare program.

[Opinion: Who will have the courage to raise the idea of higher taxes?]

This revenue is especially critical right now, at a time when the federal government has launched a comprehensive review of government spending, and is gearing up for tens of billions in cuts to the services Canadians count on.

There are clear actions we can take to finally address the problem of tax haven abuse. We can start by eliminating the tax agreement loopholes that allow corporations to return profits from tax havens to Canada tax-free, and requiring our corporations to have a legitimate business reason to set up subsidiaries in tax havens.

Prime Minister Mark Carney and his government know better than past administrations that existing laws are not strong enough to prevent this abuse. The Prime Minister himself has firsthand knowledge of how tax havens work from his time in the Brookfield corporate empire, which has more confirmed subsidiaries in tax havens than any other company on the S&P/TSX 60. He is uniquely positioned to get this done.

The stakes are clear. There's $15-billion a year on the table for a cash-strapped government to take on the affordability crisis that is hammering Canadians. To get it, Mr. Carney needs to end a near-universally loathed loophole that only the wealthiest people and largest corporations in Canada can take advantage of, and in doing so earn the admiration of 90 per cent of Canadians.

Elbows up, right?

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