

HOW TO HIDE YOUR MONEY IN THE SOUTH PACIFIC

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Fall 2012: a hard drive containing offshore financial data mailed to the ICIJ

250 GB, 2.5 M documents spanning 30 years (160 WikiLeaks)

130,000 people named from 140 countries, ~450 Canadians: politicians, socialites, dictators

How much of est. \$10-30 Trillion offshore wealth is (entirely) legal?

icij.org/offshore



image icij.org/blog/2013/04/highlights-offshore-leaks-so-far

what does offshore mean?



1. Banking centres cater to non-residents
2. Low-to-no taxation on foreign firms
3. Tight security / secrecy laws

Q: Who uses offshore financial centres?

Typically wealthy clients, seeking...

...asset protection
(litigation, spouses)

...to establish a trust for family
members

...to evade paying taxes

...to hide ill-gotten gains
(Ponzi schemes, organized
crime, embezzlement)

...to finance international
terrorism



“Our government has long recognized that international tax evasion is a serious problem. For this reason, CRA officials will review any information they receive and aggressively pursue all suspected cases of tax evasion.”

- National Revenue Minister Gail Shea

"The 2013 federal budget included a program to stop international tax evasion, under which people who tip off the CRA could get a financial reward if the investigation bears fruit.

“If the CRA ends up collecting more than \$100,000 based on the information, tipsters could get a fee of between five and 15 per cent of that amount, depending on how good the information is.”

- Canadian Business Magazine

The screenshot shows the Canada Revenue Agency website with a news release titled "Minister Shea highlights new initiatives to crack down on International Tax Evasion". The page includes a navigation menu with links for "Français", "Home", "Contact Us", "Help", "Search", and "canada.gc.ca". A sidebar on the left contains links for "Go to" (Forms and publications, Online services, A to Z index, Site map), "Information for" (Individuals, Business, Other groups), and "Search CRA". The main content area features a quote from Minister Gail Shea and a list of proposed measures to combat international tax evasion, such as launching a new Stop International Tax Evasion Program and requiring financial institutions to report large transactions.

Canada Revenue Agency
Agence du revenu du Canada
www.cra.gc.ca

Canada

Canada Revenue Agency
www.cra.gc.ca

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Newsroom > News releases > 2013

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Minister Shea highlights new initiatives to crack down on International Tax Evasion

Ottawa, Ontario, April 9, 2013... The Honourable Gail Shea, Minister of National Revenue, today highlighted important new initiatives introduced by the Harper Government in Economic Action Plan 2013 to strengthen the capacity of the Canada Revenue Agency (CRA) to crack down on international tax avoidance and evasion.

“Our Government has long recognized that international tax evasion is a serious problem,” said Minister Shea. “As announced in Economic Action Plan 2013, our Government is taking strong action to tackle tax evasion. We are committed to cracking down on individuals who avoid paying their fair share of taxes.”

Economic Action Plan 2013 proposes the following measures to combat International Tax Evasion and close tax loopholes to ensure tax fairness for all Canadians:

- Launching a new Stop International Tax Evasion Program that will allow the CRA to pay individuals with knowledge of major international tax non-compliance a percentage of tax collected as a result of the information provided;
- Requiring financial institutions and others who currently report information on international electronic funds transfers greater than \$10,000 to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to also report those transactions to the CRA;
- Streamlining the process for obtaining information on third parties in the course of conducting an audit to speed up the process and allow the CRA faster access to information on unnamed individuals for the purposes of civil actions; and
- Introducing new requirements for Canadian taxpayers with foreign income or properties to report more information, and extending the amount of time the CRA has to reassess those who have not properly reported this income.

The Minister of Revenue has also publicly called upon the International Consortium of Investigative Journalists to provide the CRA with the information they currently hold on individuals with income or property held offshore, including 450 Canadians. This request was supported by a written request from the CRA to the International Consortium of Investigative Journalists as well as to the Canadian Broadcasting Corporation (CBC), which underscored the public interest in confidential disclosure of the information to the Agency. In addition, the Agency is working with the United States and its international partners in exploring other avenues of addressing international tax evasion.

“These new measures will provide the CRA with additional tools to combat tax cheats,” said Minister Shea. “Our Government is serious about cracking down on those who attempt to cheat the system. Since 2006, our Government has introduced over 75 measures to improve the integrity of the tax system for the benefit of all Canadians.”

Why is it so hard to prosecute tax evaders who make use of offshore financial centres?

“Willful deception” difficult to prove

Strict **secrecy** laws: jail time, fines for discussing companies or trusts registered in the jurisdiction.

Layers of intermediaries.

Most will not recognize foreign court orders, or at least make it difficult and expensive to pursue further inquiry.



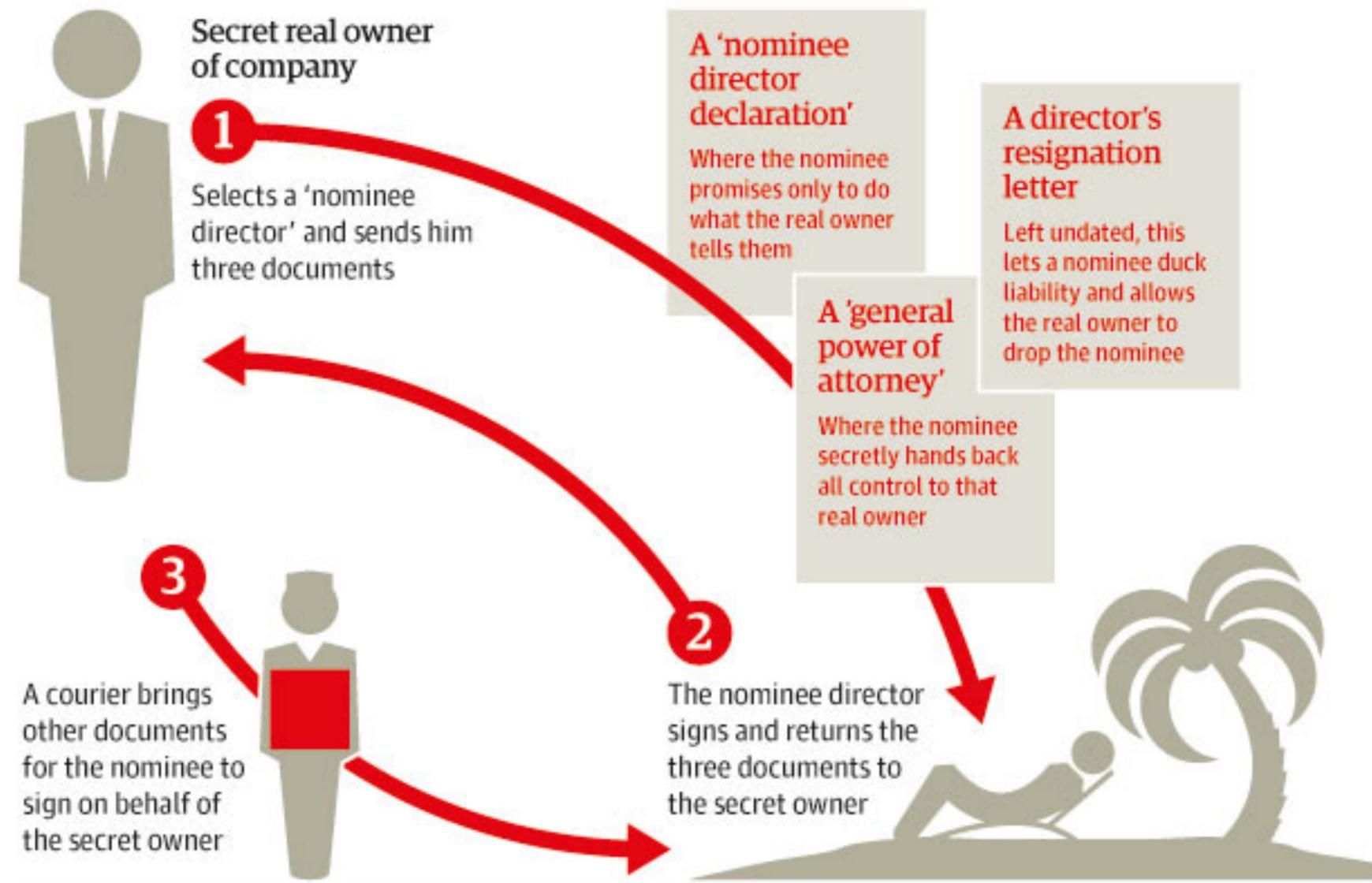


WAYS TO HIDE YOUR MONEY

Typical amounts ~ \$5M

OFFSHORE TRUST

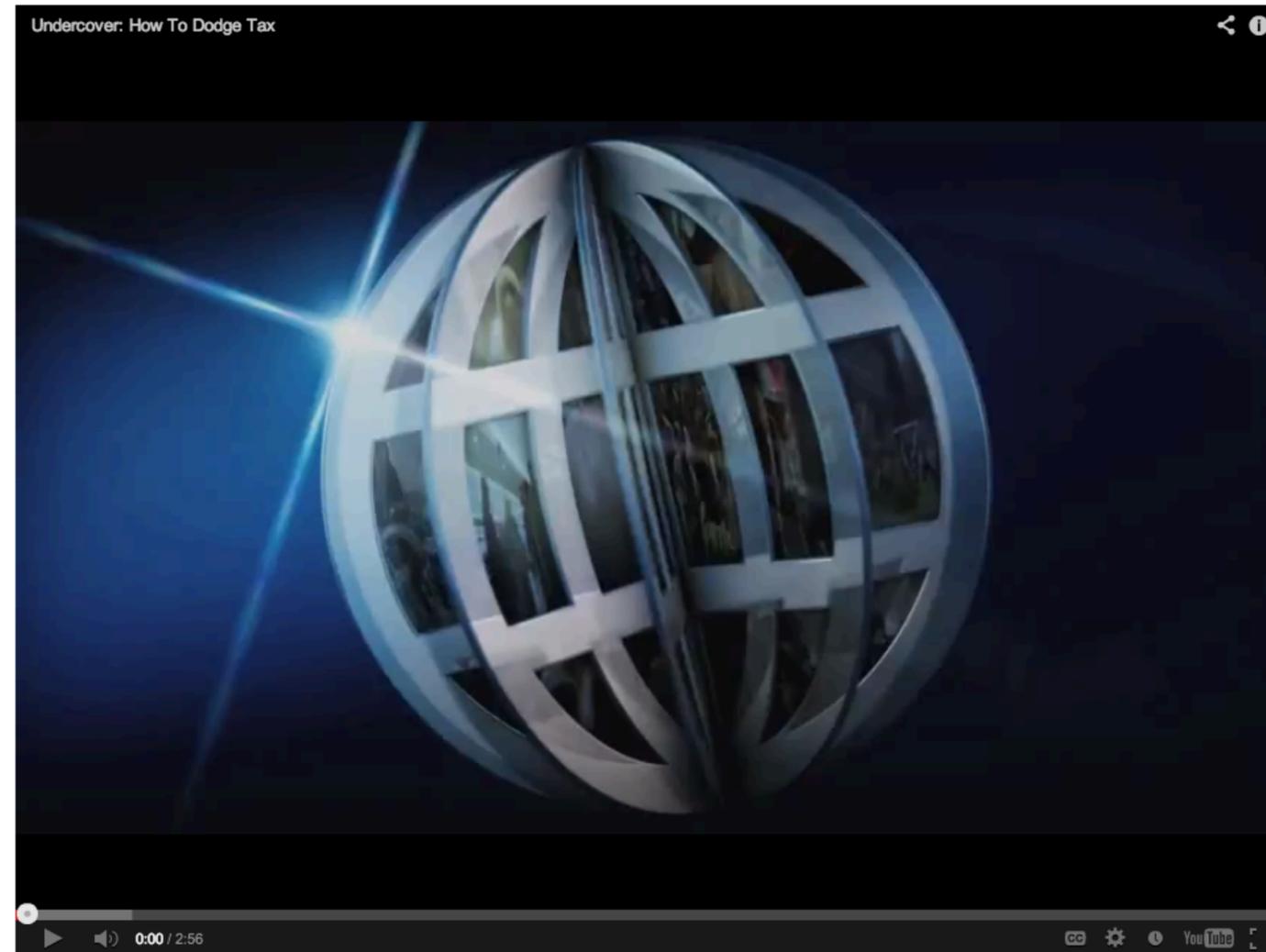
How the BVI nominee system works



Not publicly registered

Settlor, (nominee) trustee, beneficiary

PRIVATE FOUNDATION



Ownerless, can in turn own a corporation...

No estate / inheritance taxes, not publicly registered

LIMITED LIABILITY COMPANY

Between a person and a corporation, may not be anonymous, can be owned by a trust

INTERNATIONAL BUSINESS CORPORATION

Publicly registered, reporting requirements (though could done with nominee directors)

OFF-THE-SHELF COMPANY

Cheap! \$1K, limited due diligence, +\$500 gets you a nominee director

INDIVIDUAL ACCOUNT

Clear ownership, not suspicious, not secret



MOVING YOUR MONEY OFFSHORE

Phoney lawsuits

By mail (less than \$10K, many banks won't accept)

Money swap (illegal, possible money laundering)

Smuggling gems (illegal)

Carrying >\$10K across borders without declaring (illegal)

Wire transfer (tracked, reported to CRA)

Transfer \$9999.99 thousands of times (suspicious)



GETTING YOUR MONEY BACK

(and not go to jail)

Report foreign ownership (but what about interest accrued?)

Confess tax evasion and pay fines

Take out a credit card in name of foreign company (suspicious)

Insurance policy payouts

“Granny Trust” and tax-free monetary gifts

Loan to yourself

Claim tax-free gambling gains

Move to your tax haven!



HOW DID WE FARE?

\$5M initial investment
10 year investment at 12% interest rate
assuming 33% tax rate in Canada,
0% in tax haven
= ~\$4.7M in avoided taxes

1. CBC *The Current, As It Happens, The National*
2. ICIJ [icij.org/offshore/](https://www.icij.org/offshore/)
3. #offshoreleaks
4. NPR Planet Money

