



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

43rd PARLIAMENT, 2nd SESSION

---

# Standing Committee on Finance

EVIDENCE

**NUMBER 040**

Thursday, May 6, 2021

---

Chair: The Honourable Wayne Easter





## Standing Committee on Finance

Thursday, May 6, 2021

• (1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order.

Welcome to meeting number 40 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the committee's motion adopted Tuesday, April 27, 2021, the committee is meeting to study Canada Revenue Agency's efforts to combat tax avoidance and tax evasion. Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021, and therefore members are attending in person in the room and remotely by using the Zoom application.

The proceedings will be made available on the House of Commons website. For the information of witnesses—MPs certainly know this—the only person who will be visible to the public on the screens will be the person who is speaking, and we ask you not to take pictures of the screen.

I have one other comment before I go to Mr. Julian's point of order. There was a complaint about my putting committee business in the last half hour of this meeting. It is there because we have to farm out sections of the Budget Implementation Act to other committees. If we're going to give them the time to decide how they're going to handle their work, we have no choice but to meet on that today. There just aren't any other options. Zoom time is very tight for capacity, but we have managed to extend the meeting by half an hour. It will give us two hours for the Canada Revenue Agency's efforts to combat tax avoidance and tax evasion, as we were committed to, and then we'll go to half an hour for business, just so that's clear.

Mr. Julian, you have a point of order.

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Thank you, Mr. Chair, and thank you for obtaining the extra time.

I still think that the witnesses we're bringing forward today are important witnesses. This is a study that we have waited five years to undertake at the finance committee. With respect, this is a very complicated motion that Mr. Fraser is putting forward. We haven't had notice of motion. Next week on Monday we were looking to schedule the steering committee meeting. We have a committee meeting on Tuesday as well. I think that is the time to go in with the appropriate notice to the very lengthy motion we received just shortly before this meeting.

I appreciate your efforts to get some additional time. I feel very strongly that we should consider Mr. Fraser's motion fully, but we have already set up meetings for Monday and Tuesday.

That was my point of order.

**The Chair:** The problem is that as of yet we don't have a time on Monday, due to the Zoom capacity. I believe my reading of the Budget Implementation Act situation is the same as in Mr. Fraser's motion. It looks at farming out the workload to 12 different committees. If we leave it any longer, it means we'll have to deal with our own problems, but I really don't feel right imposing on other committees and making it nearly impossible for them to do their job. I don't think there's any choice but to meet on this today, but it's the committee's decision.

Mr. Kelly, you have a point of order.

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** I'm speaking very briefly on the point of order. I agree with Mr. Julian and I would prefer that we go forthwith into the witness testimony. I haven't even seen this motion, so I don't know if it was put on notice, or if there was draft or something circulated, and I'm not prepared to debate it.

**Hon. Ed Fast (Abbotsford, CPC):** I have a similar comment, Mr. Chair. The study we're undertaking now involves complex issues of tax evasion, tax avoidance and very concerning, troubling cases of Canadians who have suffered as a result. Why would we undermine the ability of the witnesses whom we've already brought to the table to have the full time available to them to provide the testimony they need and for us to ask those questions? We've set aside time to discuss some procedural issues, some committee issues; let us do it within those time frames. These committee meetings already are often truncated by votes, and we don't get a chance to ask the questions that we had really expected to.

Again I'm hoping you, Mr. Chair, will allow us to proceed with the committee as we originally scheduled.

**The Chair:** That's what I'm trying to do. We have two full hours on tax evasion, as was planned. We have set a half-hour following that for committee business.

Mr. Ste-Marie is next, as we're taking more time away from our witnesses.

[Translation]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** I would like to quickly say that I agree with the last three speakers.

Thank you.

[English]

**The Chair:** We will move to committee witnesses. We'll have that discussion once the two hours is up.

Thank you to all the witnesses for coming today.

We will start with the Honourable Percy Downe.

Certainly, as you know, Senator Downe, we ask you to please try to keep your opening remarks to about five minutes, as that will leave more time for questions later.

Go ahead, Senator Downe. The floor is yours.

**Hon. Percy E. Downe (Senator, Prince Edward Island, CSG):** Thank you for the invitation to appear before this committee.

In the short time available, I would like to discuss problems I've identified at the Canada Revenue Agency regarding overseas tax evasion.

As the Parliamentary Budget Officer stated, there are hundreds of millions of dollars in taxes, if not billions, that go undeclared and unreported and that escape Canadian tax authorities.

At the conclusion of my remarks, I will propose some suggestions for the committee to consider to correct these problems .

My attention was first drawn to the problem of overseas tax evasion in 2008 when one bank disclosure in Liechtenstein showed that 106 Canadians had over \$100 million just in that one bank.

A couple of years later, another disclosure from a bank in Switzerland showed that bank had 1,785 accounts held by Canadians. The minimum amount to open a bank account in that bank was \$500,000.

• (1535)

Then we had the leaks of the Panama papers and the Paradise papers, showing thousands of accounts involving thousands of Canadians. Among many glaring examples of inaction by Canada's revenue agency are the Panama papers, disclosed over five years ago and listing 900 Canadians with accounts in that one law firm in Panama.

Since then, other countries around the world with citizens identified in the Panama papers have collected over \$1.36 billion in taxes that were owing to them. Australia has recovered over \$172 million, Ecuador \$105 million, and Spain \$209 million. Even Iceland, a country of 370,000 people, has recovered \$32 million. In the case of Canada, five years later, no one has been charged and no one has been convicted for tax evasion as a result of the Panama papers, and there have been no charges or convictions related to Liechtenstein or Switzerland.

Meanwhile, the Canadian government doesn't even know the size of the overseas tax evasion problem. The Parliamentary Budget Officer has been trying to estimate the tax gap since 2012, but the CRA won't co-operate.

For a comparison of what action a country can undertake, look at what Australia has done about overseas tax evasion. They established Project Wickenby in 2006, when eight government agencies came together to, in their words, "protect the integrity of Australia's

financial and regulatory systems" by cracking down on use of illegal tax havens. In that time period, the Australians collected over \$750 million. A number of people were charged and a number were convicted. They concluded Project Wickenby by establishing the Serious Financial Crime Taskforce.

In Canada, in the case of Liechtenstein, the CRA, in their words, "waived referrals for potential criminal investigation to gather information". In other words, the agency promised not to charge the people involved in that tax scheme in exchange for them explaining to the CRA how it actually worked. However, any lessons learned from the Liechtenstein affair in 2008 have obviously not been very effective, since no one has ever been charged or convicted, for all the additional leaks over the last 12 years.

Because the CRA has been so incompetent on overseas tax evasion, a number of things have happened: One, we don't have the money to fund our priorities; two, the rest of us have to make up the shortfall by paying more taxes; and, three, Canadians are wondering why we have a two-tiered justice system for tax evasion. Try to cheat on your domestic taxes and the CRA will likely find you, charge you, convict you and force your repayment. Check their website and you'll see their results. Hide your money overseas and you likely will never be charged or convicted. Again, check their website and you'll see the results.

Canadians might want to ask why people are being treated differently depending upon whether they're evading their taxes at home or overseas.

Colleagues, I would suggest the following measures for the committee to consider.

One, measure the tax gap.

Two, change the law so that it becomes an automatic criminal offence to have an undeclared account overseas and those who don't declare their overseas accounts will automatically serve jail time.

Three, introduce beneficial ownership legislation so we know who actually benefits from financial transactions.

Finally, change the salary structure at the Canada Revenue Agency to retain experienced and specialized employees. Too many of them are being recruited by the other side for substantial salary increases.

Thank you, Chair.

**The Chair:** Thanks very much, Senator Downe.

We're going to Janet Watson, who is appearing as an individual.

Ms. Watson, welcome. The floor is yours. Go ahead.

**Ms. Janet Watson (As an Individual):** Good afternoon.

Thank you very much for allowing me to appear before the committee this afternoon.

I am here to represent the thousands of victims of various frauds that were uncovered back in 2005. I am referring to Mount Real, Norshield and Cinar. The loss in the Mount Real case alone was approximately \$120 million, and there were 1,600 victims. I was one of them.

I believe that I was invited to address this committee to give my perspective on what it is like to be a victim of this type of crime. Believe me, it is not a victimless crime. One of the Mount Real victims whom I got to know over the years was an Italian immigrant who came to Canada with very little money. He worked very hard, established a good business and raised a family. He lost approximately \$2.5 million. His family told me he died a broken man. He never saw justice for his loss.

There are hundreds of other stories of people forced to delay their retirements and others forced to go back to work in their seventies. There have been marital breakdowns, stress-related illnesses and at least one suicide that I know of.

I was one of the lucky ones. I lost the \$68,000 that was in my RRSP at the time. Fortunately, I was still able to retire. I retired when I was 60. I am now 74 and I've been working on this case for a long time. I became the unofficial spokesperson for many of the victims over the years.

During the trial of Lino Matteo, who was the head of Mount Real, I listened to statements given by some of the victims. It was heartbreaking to watch men in their seventies break down and cry because they had lost what they thought would be a legacy for their children. The stigma of being this kind of victim is real, and many victims have still not told their families about their loss.

Where did all the money go? We were told by the RCMP that they were unable to investigate these massive frauds because they did not have the resources to trace the money once it had left the country. The trustee of Mount Real was Raymond Chabot Grant Thornton. They were only able to recover about \$5 million of the \$120 million that was lost, and the costs incurred in recovering these funds, in lawyers' fees and trustees' fees, was approximately \$3.5 million, which left very little to be distributed to the victims.

I am very appreciative of the work done by the investigative journalists at *The Fifth Estate* and *Enquête*, who may have shed some light on where some of this money ended up.

I am grateful to the finance committee for allowing me to testify today, and I hope that the inquiry, which was started in 2016, will be reopened into specific offshore tax havens.

Thank you very much.

• (1540)

**The Chair:** Thank you very much, Ms. Watson, and thank you also for your courage for sticking with this for 14 years.

Turning to KPMG, we have Ms. Iacovelli, Canadian managing partner on the tax end.

Lucia, we did get your note that you sent to committee in both official languages, so all members should have that.

Go ahead. The floor is yours.

**Ms. Lucia Iacovelli (Canadian Managing Partner, Tax, KPMG):** Thank you for the invitation to appear before this committee.

I am KPMG's Canadian managing partner for tax.

Before I commence with my remarks, I'd like to extend my sincere sympathy to Ms. Watson and all of the other victims of the Cinar fraud. We know that you've been seeking answers for a long time, and I wish we could help you. We simply do not have any connection to Cinar. We were not their auditor or their tax adviser. We did not help any of the people who carried out the fraud to take your money or hide your money.

At KPMG we ensure that our clients are able to work within the tax system, achieve their goals and pay the tax they are required to pay. That is the lawful tax planning work that we do for our clients across Canada every day, and in accordance with KPMG's policies, practices and culture, we ensure the highest standards of integrity, compliance and professionalism.

Like most professionals, as CPAs we are required to protect the confidentiality of information regarding our clients and former clients. We take that obligation seriously, but when we receive a legal order requiring us to disclose client information, we comply with it. In February 2017, for example, in accordance with the CRA requirement, we provided the CRA with all the names and all of our files related to the OCS implementations in the Isle of Man.

I would also like to address recent reporting by the CBC, which is focused on four corporations, referred to as the "sword" companies, which were established in the Isle of Man in the early 2000s. It's alleged that these companies were used to facilitate the Cinar fraud. I don't know whether that's true. I do know that any implication that KPMG had anything to do with the Cinar fraud is false. Any implication that KPMG was in any way involved with the "sword" companies is also false.

We can state this with confidence because we undertook the comprehensive and detailed due diligence of our files, records and personnel. We combed through millions of pages of documents. We reviewed our time and billing systems. We examined our client file databases, and we interviewed people. We took the added step of reviewing publicly available corporate documents from the Isle of Man. Through all of this, we found nothing that suggested that KPMG had any association with the "sword" companies.

We provided this information to the CBC, making it clear that they were mistaken, but they persisted in publishing irresponsible and misleading stories. As a result, our lawyers served a notice of libel on the CBC last week. The CBC's allegations mistakenly rely on emails, written 15 years after the fact, by a woman named Sandra Georgeson, and on similarities between the "sword" companies and KPMG client companies.

Let me address these mistakes one by one. KPMG, like other firms, commonly uses the support of corporate service providers to set up and help administer companies. There are a lot of these firms that do this work around the world. Ms. Georgeson worked for one such firm in the Isle of Man. In the early 2000s, KPMG in Canada offered a legal tax plan, known as the OCS. The OCS required the incorporation of companies in the Isle of Man, and Ms. Georgeson's firm was retained to do so. Fifteen years later she was asked by her new employer to prepare a list of these companies. Her recollection in 2015 was that the "sword" companies were examples of KPMG OCS implementations. They were not.

In its reporting, the CBC pointed to similarities in the sequential registration numbers, named directors, signatories and filing addresses between the OCS and the "sword" companies as evidence that KPMG set up these companies. The CBC is simply wrong in drawing this inference.

The similarities exist because whoever registered the "sword" companies used the same corporate service provider as KPMG, but our diligence shows that the "sword" companies do not belong to, or are in any way connected to, KPMG.

I wish we could help reunite the victims of this fraud with their money and bring the perpetrators to justice, but we can't. KPMG simply does not possess any information that could assist with the Cinar investigation.

Putting the CBC's unfounded theories about Cinar aside, the broader issue that is before the committee today is how Canada could combat aggressive tax avoidance and tax evasion.

• (1545)

We applaud the committee's review of this important issue. We share the committee's desire and we welcome the opportunity to contribute to the discussion today.

Thank you.

• (1550)

**The Chair:** Thank you very much, Lucia.

Turning to the Professional Institute of the Public Service of Canada, we have Ms. Daviau, president, and Mr. Campbell, economist.

I guess we're going to you, Ms. Daviau.

**Ms. Debi Daviau (President, Professional Institute of the Public Service of Canada):** Thanks for having us.

My name is Debi Daviau, and I'm the president of the Professional Institute of the Public Service of Canada, or PIPSC. It's the national union that represents some 12,000 auditors and other tax professionals at the CRA across the country. Our members are skilled professionals and knowledgeable tax experts who ensure that powerful corporations and wealthy individuals remain just as accountable as the rest of us.

With me today is Mr. Ryan Campbell, our union economist and my technical adviser today.

We'd like to thank you for the opportunity to present our views on this critical issue. Together we'd be happy to answer any and all questions you may have after our presentation.

We've researched this issue from the point of view of tax professionals at the Canada Revenue Agency and produced three reports on tax avoidance and evasion. You can find them on our website at PIPSC.ca. I'd be happy to forward copies to the committee members as a follow-up to this meeting.

Few Canadians enjoy paying taxes, but they understand that it's important to do it. Taxes fund the public services that make us healthier and safer, protect the environment and nurture a stable economy in which businesses can thrive and compete.

A healthy tax system is defined by fairness and integrity. The rules must apply to everyone. Unfortunately, many wealthy individuals and corporations use their superior resources to look for a shelter or haven where the tax rules don't apply. While these privileged few get a reduced tax bill, governments lose revenue for public services, resulting in either service cuts or tax hikes for everybody else.

In February 2018, we conducted a survey of professional staff at the CRA, including auditors, managers, forensic accountants, economists, statisticians and actuaries. Their responses were eye-opening.

Much of the criticism levelled at Canada's tax system is that while it is designed to be fair, it's easier for some to get around the rules than it is for others. In our survey, nine out of 10 tax professionals at the Canada Revenue Agency agreed that it's easier for corporations and wealthy individuals to evade and/or avoid tax responsibilities than it is for average Canadians. Environics Research put that same question to the general public and found that eight out of 10 respondents felt the same way.

You should find it troubling that CRA professionals with special knowledge of the inner workings of the tax system were more likely to agree than an average Canadian. Over eight out of 10 also agreed that tax credits, tax exemptions and tax loopholes disproportionately benefit corporations and wealthy Canadians compared to average Canadians.

When asked if multinational corporations shift profits to low-tax regions, even when there is little or no corresponding economic activity taking place in that jurisdiction, three out of four respondents agreed. When asked if the CRA has adequate audit coverage capacity to ensure tax laws are being applied fairly across the country, only 16% of respondents agreed. When asked if training and technology advancements within CRA have not kept pace with the complexity of tax avoidance schemes, 79% of the respondents agreed.

All of these survey results confirm one basic fact: Canadians deserve a rigorous examination of the tax system.

Our CRA professionals are among the best in the world at what they do, but they face great challenges. Their job is to go after individuals and entities that in effect have unlimited resources and can aggressively exploit legal and international grey areas for their own gain. The CRA employees, by comparison, often feel outdone by those trying hardest to avoid taxes.

In 2012, sweeping budget cuts were introduced to the agency. Even with the more recent government reinvestments, it still doesn't have all the tools and staff it needs to get this job done

Does this make any sense when the Parliamentary Budget Officer's own numbers show a \$5 return for every dollar invested in combatting international tax evasion and aggressive tax avoidance? Does this make sense at a time when government spending has skyrocketed to deal with the social and economic impact of the pandemic?

We need to fix this now. More than ever, Canadians need the tens of billions of dollars in tax revenue, if not more, that are sitting in offshore tax havens.

We believe that a number of steps can be taken to correct the situation.

First, we need better enforcement of existing tax laws. One of the simplest ways to make the system fairer is to ensure that the same rules apply to everyone.

- (1555)

Second, we need to prevent political interference at the CRA. This was particularly visible during the previous decade when the CRA was accused of shifting its focus away from big tax cheats to individuals, charities and small businesses.

Third, because CRA officials are frequently put in precarious situations in which they are asked to hold powerful players to account in a high-stakes setting, whistle-blower protection is crucial to ensuring that professional integrity is paramount during the tax assessment process.

Fourth, while government investments in the CRA have increased in recent federal budgets, Canada's population continues to grow, and so do the amount of commerce and the complexity of tax evasion schemes. The CRA needs to hire more technical advisers and to invest in technology and training to deal with these factors.

Fifth, the CRA must enhance the capacity of its regional offices. The Auditor General has found that taxpayers receive different treatment from the CRA depending on where they live and who they are. Its regional offices need the appropriate resources to ensure that laws are applied fairly from coast to coast.

Finally, a number of policy reforms need to be undertaken. Budget 2021 announced initiatives that when implemented will take tangible steps in the direction of tax fairness. These include a digital service tax for companies like Netflix and Amazon and the creation of a publicly accessible beneficial ownership registry. These are both important initiatives long championed by PIPSC members and our allies in civil society.

While these changes are welcomed, we still have work to do. The Parliamentary Budget Officer has estimated that as much

as \$25 billion of corporate tax revenue is lost to tax havens every year. We must do more to end the transfer pricing and profit shifting that facilitate this destructive practice.

As of now, some incremental steps are being taken, but there are a variety of additional actions that could be put in place. The end result would be a new, simplified view of the global commercial landscape, one in which corporations can be prevented from pitting countries against each other and are taxed fairly everywhere.

In conclusion, CRA professionals must receive the training, tools and resources they need to do their jobs. The CRA must receive appropriate funding to ensure that tax laws are enforced equitably and that wealthy individuals and powerful corporations are just as accountable as any other Canadian.

Additionally, there needs to be international co-operation and updates to legislation so that those who try the hardest to avoid taxes end up paying their fair share anyway.

Thank you for your time. Mr. Campbell and I would be pleased to answer your questions.

**The Chair:** Thank you very much, Ms. Daviau. You've been here before, and I still got your name wrong.

The lineup for the first round of questions will be Mr. Kelly, Mr. Fraser, Mr. Ste-Marie and Mr. Julian. It'll be a six-minute round.

To close off our witnesses, we have, from Transparency International Canada, Mr. Cohen, executive director.

The floor is yours, sir.

**Mr. James Cohen (Executive Director, Transparency International Canada):** Mr. Chairman and members of the committee, thank you for inviting me back to speak to you today. My name is James Cohen, and I am the executive director of Transparency International Canada. TI Canada is a registered charity and is the Canadian chapter of Transparency International, the world's leading anti-corruption movement.

The release of the Panama papers in 2016 was an explosive look into how the world's secrecy jurisdictions and an army of enablers hide illicit funds from crimes like tax evasion, corruption and fraud. One revelation that came out of the trove of leaked documents is that Canada was being happily marketed as a secrecy jurisdiction by Mossack Fonseca, the firm at the heart of the Panama Papers.

The Toronto Star and CBC journalists found that Mossack Fonseca was marketing Canada to clients as a desirable place to store dirty cash, based on our generally positive reputation but also, importantly, on our weak disclosure laws and enforcement. The correspondences the media published showing this advice were from 2012. TI Canada is currently re-examining this phenomenon of overseas incorporation agencies marketing Canada's opacity, and we are finding that nothing has changed. The term that came out of the Panama papers for money laundering and tax dodging in Canada, "snow washing", is alive and well.

However, as of April 19, Canada is in a better position. TI Canada and our civil society partners enthusiastically applauded the government's proposal to establish a publicly accessible registry of beneficial ownership in the 2021 budget. Canada has been slammed by international organizations, civil society and peers for years, and now we have taken a large step out of that shadow.

Of course, the federal government cannot establish corporate beneficial ownership transparency on its own and expect the problem to be resolved. The provinces and territories must come on board with this initiative. Thankfully there is already momentum, as we see Quebec on the cusp of making corporate beneficial ownership information public via Bill 78, and the British Columbia Land Ownership Transparency Registry went online last week. We hope this will be followed by a public corporate beneficial ownership registry too.

The world is shrinking as a place for tax dodgers, kleptocrats and fraudsters to hide. In 2016 the United Kingdom was the first country to have a public beneficial ownership registry. The U.K.'s overseas territories and Crown dependencies, which include some of the best-known secrecy jurisdictions, such as the Isle of Man, have also agreed to establish publicly accessible registries of beneficial ownership. In a joint statement, the crown dependencies cited their need to co-operate by 2023 with European Union anti-money laundering directive 5, which requires all EU members to establish a public beneficial ownership registry.

From this trend we see that after years of being regarded as a laggard, Canada has the chance to move up to the head of the class on beneficial ownership transparency. While I would never say that any tool is a silver bullet for solving tax evasion and money laundering, a publicly accessible registry will be a powerful tool. It needs to be set up correctly, though. We can learn a lot from our peers in the U.K. and the EU and make sure that our registry has verified data and harsh consequences for those trying to falsify information. Canada's registrar should also have a staff that can conduct proactive investigations and a tip line for people to provide information on suspected tax evaders so proper investigations can be conducted.

This will be a big year for international forums to address beneficial ownership transparency, corruption, money laundering and tax evasion. There will be the G7 hosted by the U.K., the UN General Assembly special session on corruption, the open government partnership summit in South Korea and eventually the Summit of Democracies hosted by U.S. President Biden. This year the Financial Action Task Force, the global standard-setting body on anti-money laundering, will also review recommendations on beneficial ownership transparency, possibly making public registries a new

standard. Canada now has a foot to stand on in these forums for calling for greater transparency from others to continue to close the space for tax evaders, kleptocrats and crooks to hide in.

Thank you, and I am happy to take any questions from the committee.

• (1600)

**The Chair:** Thank you very much, Mr. Cohen.

The public registry was one of the key recommendations from this committee in our study on money laundering, which was, I think, one of the best studies we've ever done, so we're glad to see that out there too.

I forgot to mention, Ms. Daviau, that yes, we would like you to please send that information in those reports that you mentioned to the clerk. It will be helpful to the committee.

**Ms. Debi Daviau:** I was going to mention to you, Mr. Easter, that it doesn't matter what you call me as long as you don't call me late for committee.

**Some hon. members:** Oh, oh!

**The Chair:** Okay. I'm awful at names, and everybody knows it.

We'll start with six-minute rounds and Mr. Kelly.

The floor is yours.

**Mr. Pat Kelly:** Thank you.

Thank you to all the witnesses. There were great opening statements.

I would like to start with Senator Downe and start by thanking you, Senator, for your leadership on trying to shed some light on the obvious ongoing problems we have here in Canada with tax evasion and the lack of data, good data, that could help inform policy-makers about that.

You had a private member's bill or a Senate bill that I was very proud and pleased to sponsor in the House of Commons. It was defeated. It would have compelled better disclosure and better measurement of this problem.



Could you comment on the lack of good public information about the scope and scale of tax evasion and how that limits policy-makers?

• (1605)

**Hon. Percy E. Downe:** What happened, of course, was that other countries around the world were assessing their tax gaps. As you know, that's the difference between what your national revenue agency collects and what they should be collecting, and hence the gap.

The second thing the tax gap analysis does is indicate how effective and efficient your revenue agency is—in other words, how good a job they're doing. The United Kingdom, Turkey, Switzerland—a whole host of countries—the United States, even the State of California, measure their tax gaps. They all find it a useful tool. I asked the Parliamentary Budget Officer some years ago to do it. I didn't want the CRA doing it, for a host of reasons that I'd be pleased to expand on if you're interested. I wanted an independent analysis done by the PBO. The Parliamentary Budget Officer could not get the co-operation of the revenue agency, notwithstanding the legal opinion that entitled them to the information on a confidential basis. They're not interested in individual taxpayers; they're interested in the overall numbers. That has not happened. We don't have an independent analysis.

Under much public pressure, the Canada Revenue Agency started to do one-off tax gap analyses. For example, they did one on corporate dues. They did one on excise customs. They've done six in total, and by the Canadian Revenue Agency analysis, the tax gap is between \$20 billion and \$24 billion. There are a whole bunch of other tax-gap analyses that have to be done, and the PBO should be doing them so that we have that overarching view.

The other thing to remember on the tax gap is that it's sort of like political polls: The numbers aren't as important as the trend line. How much of this money is the CRA collecting, and is the gap getting greater or is it being reduced?

**Mr. Pat Kelly:** That's a great point, and thank you for that.

To what do you attribute the absolute, complete failure to prosecute—and you pointed out the Panama papers and the Paradise papers—compared with other countries?

**Hon. Percy E. Downe:** That's the question. There have been a number of analyses on why that has not happened, but it reflects very badly in Canada. Five years later, where's the money?

The CRA, when you're dealing with them, are very careful to talk about how much money they have identified and how many audits they're conducting, but when you ask them about how much money they've raised, have collected, the answers get extremely vague. In fact, there are no answers.

Nine hundred Canadians and no money is the bottom line. If they had a lot of money collected instead of just identified, they'd be singing it from the rooftops, so there's a serious problem at the CRA. This is not a reflection of the employees of the CRA because, as I said in my opening comments, they do an outstanding job on domestic tax evasion, but there's a lack of leadership, and after these years of looking at the Revenue Agency, I've drawn the con-

clusion that we have to have the Department of Finance overseeing them and giving instructions.

**Mr. Pat Kelly:** Have I got time for another question, Chair?

**The Chair:** Yes, you have lots; you have two minutes.

**Mr. Pat Kelly:** I'd like to get Ms. Daviau into this, then.

Senator Downe mentioned it, and also you mentioned it in your opening statement when you made direct reference to the Auditor General's report of 2018, I believe it was, in which they talked about the fact that when documents or information are demanded from a domestic tax evader or tax filer, they are given only a very short window before the taxes are automatically applied to them, yet an offshore filer, a filer with international banking connections, can be given months or years to comply with an order for information, without any tax being applied.

You're aware of this. What possible reason could there be for this discrepancy?

• (1610)

**Ms. Debi Daviau:** I'm not sure. I'm going to turn it over to our economist, Ryan, who has delved more deeply into it. Perhaps he can give you some insight.

From my perspective on this question, Mr. Kelly, the problems occur because there are gaps in legislation. Even when people are prosecuted, we're unsuccessful because the decision of the Supreme Court finds holes within the existing legislation, so legislation needs to be improved.

**Mr. Pat Kelly:** We're talking about an order for documents and being given extra time just because you're overseas.

**Ms. Debi Daviau:** Yes. I'm not sure of the reason.

**Mr. Pat Kelly:** I have asked this question at committee before and been told that usually these files are more complicated. If your colleague can give an answer that's better than the ones we've heard at previous committees, which would be great, go ahead.

**Ms. Debi Daviau:** I'm sure. Let's give him a crack at it anyway.

**The Chair:** Mr. Campbell, the pressure is on you, sir.

**Mr. Ryan Campbell (Economist, Technical advisor, Professional Institute of the Public Service of Canada):** I think Debi provided a good answer. I will just reiterate that we're here as a representative of the auditors; we're not here as a representative of the Canada Revenue Agency itself. I think it would be better to hear from a representative from the agency.

**Mr. Pat Kelly:** That's a fantastic point. Hopefully we'll have the minister here on this study at some point, and the minister should answer that question.

It would seem to me that complexity shouldn't enter into it. If you ask for a document and your corporate structure is too complicated to comply, then that should be on the filer.

**Ms. Debi Daviau:** Mr. Kelly, we used to have international tax units that were very well organized and could work together more effectively to produce those kinds of documents, but those units were broken down some 10 or so years ago in favour of interspersing these tax experts within more generalized teams. That has reduced the capacity of employees at the CRA to be able to deliver on getting international tax avoiders to pay their fair share.

**The Chair:** We are well over time on that one.

Perhaps you could send us a little note on when those international tax units were cut out of the system.

Mr. Fraser, you have six minutes.

**Mr. Sean Fraser (Central Nova, Lib.):** Thank you very much, Mr. Chair.

Before I get to my questions, I want to begin by thanking Ms. Watson for being with us today. Her story is a powerful one. I believe she wanted to remind us that this is not a victimless crime.

Although there are certain individuals who are impacted very directly, I would argue that the classes of victims are almost limitless [*Technical difficulty—Editor*]. Anybody who doesn't have a family doctor, can't afford to pay for school or suffers from a lack of access to services is a victim of those who choose to evade paying taxes that they properly owe, and the quality of life that we all enjoy is diminished as a result.

My first question is for Mr. Cohen.

You spoke with some enthusiasm about the announcement to establish a registry for beneficial ownership. This is useful in this audience of people who study the budget, but I'm curious as to whether you can put into plain language, for Canadians who may be watching, the importance of having a publicly accessible registry so folks know who's behind some of these shell corporations or organizations that might be used to hide the beneficial owner who might be benefiting from those who evade taxes.

**Mr. James Cohen:** As you say, it's a publicly accessible beneficial ownership registry to identify the true individuals. For anybody not familiar with beneficial ownership registry and shell companies, company ABC might be owned by company 123, which is owned by company Ontario 456, which was opened by...Bob. Who's Bob, at the end of the day, and why the level of secrecy?

Bob could be an entirely legitimate business person, but there is no precedent for anonymity behind all those layers. Bob could also be somebody who is evading taxes, denying Canadians revenue for various services that you discussed, such as health services or the environment. Bob could be a kleptocrat from overseas, stealing money from some of the most vulnerable people around the world and hiding it here in Canada. That individual could also be a criminal perpetuating the fentanyl crisis in Canada and facilitating gang activity. He could be a sanction-buster trying to move money around to allow weapons to go into countries like Syria. There's a whole host of people.

As Ms. Watson alluded to, this is not victimless. When we talk about these grand numbers that are being moved around through the shell companies, we should know that there's a precedent crime underneath them. Whether it's undermining Canadian society

through sapping resources that should fund our public services, allowing criminals to continue to operate within Canada for crimes in Canada or overseas, or ruining our good name abroad while we give foreign aid money but have stolen money from those very same countries wind up back in mansions in Montreal, Toronto or Vancouver, this all has an impact, and it all should matter to everyday Canadians.

• (1615)

**Mr. Sean Fraser:** Thank you very much, Mr. Cohen. I'll use some of the examples you discussed, particularly in the global context of this problem, for my next question to Ms. Daviau.

Ms. Daviau, you mentioned that one of the things we continue to need to do is explore further initiatives on the international stage and co-operate with our global partners to ensure that we can stamp out tax evasion globally. What actions can the federal government in Canada take to help contribute to the global solution to the issue of tax evasion?

**Ms. Debi Daviau:** I'll ask Ryan to take that on.

**Mr. Ryan Campbell:** The biggest issue that has been advocated by auditors at the Canada Revenue Agency, based on their work, is to focus on corporate tax evasion. The scale is much larger. The PBO has identified that as much as \$25 billion a year could be accessible or unlocked from tax havens if the right provisions were in place. In order to do that, it's really necessary to reorient the way the tax system is structured and to reform the current state.

Right now when an international corporation makes a sale, they have some discretion to transfer the profit or to modify the price within internal supply chains to book the value of that sale in a low-tax jurisdiction. From the standpoint of CRA auditors, it's a game of cat and mouse to try to figure out exactly what the fair market value of that transaction was and determine whether or not it was on the level.

In order to tip the scales back in favour of companies being taxed fairly everywhere, there's a specific combination of different reforms that can be put in place, or broad principles, a combination of which would solve the problem.

One is a formulary allocation of profits, which is basically a change in criteria that are currently in use in Canada that determine how corporations' profits are booked from province to province.

The other is unitary treatment to make sure that when these transactions happen between a parent company and a subsidiary, leading to this transfer pricing and profits being booked in low-tax jurisdictions instead of where the commerce actually happens, the corporations are treated globally as a unitary entity—

**Mr. Sean Fraser:** Mr. Chair, I think I'm very near the end of my time. Do I have a chance to squeeze in one more specific question along these lines again for Mr. Campbell?

You're on mute, Chair, but I sense you're saying that if I'm quick, I can go.

**The Chair:** You're right.

**Mr. Sean Fraser:** Thank you.

Mr. Campbell, from the testimony we heard today, it seems there are quite a few different measures that we can implement. Most folks I've spoken with about the issue of tax evasion have argued that the return on investment, if we pour money into enforcement, is well worth it. Could you highlight one or two key areas where we would see the greatest return on investment for money we can put toward enforcement? Where is that?

I notice that Ms. Daviau has unmuted herself. I might give her the floor if she wants to give an answer.

**Ms. Debi Daviau:** Yes, if that's okay; I certainly turn it over to Ryan on the very technical stuff.

We're hearing from our members, as I mentioned very briefly, that there had been some organizational changes that were not helpful. For example, criminal investigation units were amalgamated. Now there's no criminal investigation between Calgary and Toronto. It's more of a domestic problem, but you really do have to look at the physical presence of resources in different regions.

There are also the international tax units. How do you leverage the best expertise of your international tax experts? How do you resource them properly? How do you give them the proper training and the proper technology that they need to go up against the tax giants they're having to work against?

It's that simple question of "invest a dollar, get five back". It might even be higher. Certainly, that one has some facts and evidence behind it. It just makes sense that you want to properly resource your people at the Canada Revenue Agency so that they can actually combat some of this. That doesn't require big changes. It just requires an investment in people.

• (1620)

**The Chair:** We will have to end it there.

We'll turn to Mr. Ste-Marie, followed by Mr. Julian.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

I would first like to give my regards to all our guests and thank them for their presentations. I also want to thank them for joining us today.

Ms. Watson, your testimony was very powerful. Let's hope that justice is done.

I would also like to acknowledge our colleague Elizabeth May, who is with us today.

Finally, I would like to remind you that my colleague Stéphane Bergeron is bringing motion M-69 to the House, which includes most of the measures suggested by the guests to combat tax avoidance and tax evasion.

My questions are for the representative from KPMG.

Ms. Iacovelli, I'm asking you and KPMG Canada to provide the Standing Committee on Finance with the following information.

KPMG has put in place tax strategies that provide a financial vehicle for some of its clients to reduce the tax they owe. For each case where KPMG Canada has directly or indirectly created or assisted in creating one or more companies in the Isle of Man, thereby enabling one or more Canadian taxpayers to hide money or reduce their tax payable, I am asking you to provide the committee with: all the documents used in these plans; a list of the companies created through these strategies; a list of the directors and officers associated with these strategies; a list of all those who benefited directly or indirectly; and the fees received by KPMG for each of these plans.

I would also ask that you provide us with the complete information for each plan carried out in a country or territory other than the Isle of Man and that you identify the country or territory. Of course, the clerk will be able to send you this request. If you are unable to respond fully now, I would ask that you provide your responses in writing to the Standing Committee on Finance as soon as possible or within 30 days.

Are you taking note of that?

I will continue with my questions.

[*English*]

**The Chair:** We will have to give Ms. Iacovelli a chance to respond first, Gabriel.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Okay.

[*English*]

**Ms. Lucia Iacovelli:** Thank you.

That was quite a comprehensive question, so I'll try to approach everything that I think I heard.

I want to be clear that KPMG did not set up shell companies to hide money. That's not what we do. We provide legal advice that's tax-effective and we require that our clients meet all their filing obligations.

With respect to your request in terms of providing information, under my code of conduct I'm not able to provide you with client information unless there's a legal order that's provided. We have dealt with the CRA's request. We have provided the CRA with a list of all of the OCS clients and provided the CRA with the OCS files as well.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you.

There may have been a problem with the interpretation. I never implied that KPMG had set up strategies that were deemed illegal. That is not what we are talking about. To my knowledge, KPMG, an accounting firm, does not have the authority to refuse to provide such information to a parliamentary committee in Ottawa.

Just to make sure that we understand each other, the clerk can send you the request that I just made and you can provide us with your response within 30 days.

I will also ask you to provide us with the Canada Revenue Agency decision on each client file at KPMG Canada, including refunded taxes, accrued interest and penalties incurred, for each individual.

Thank you.

• (1625)

[English]

**Ms. Lucia Iacovelli:** May I have an opportunity to respond?

**The Chair:** Yes, go ahead. The floor is yours.

**Ms. Lucia Iacovelli:** Okay.

I just want to point out that under my professional code of conduct, I'm not able to provide any details with respect to clients or former clients. Again, if there's a court order or legal order provided, I can provide that information.

We've provided all of the information with respect to the offshore structure to the CRA, along with files.

**The Chair:** I might make a suggestion there, Gabriel, if I could.

If the clerk can send you that information, Ms. Iacovelli, then you can respond in kind and we'll see where we're at.

I'll not take that time from you, Mr. Ste-Marie. You still have about a minute and a half.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Clearly, our respective readings of the legislation are completely different. In our opinion, an accounting firm such as KPMG does not have that power with respect to requests from the Standing Committee on Finance.

Ms. Iacovelli, has KPMG Canada asked a company like KPMG in the Isle of Man or any other company to create, directly or indirectly, one or more of the four companies registered in the Isle of Man under the names Shashqua, Sceax, Katar and Spatha?

If so, which ones were they and how did that happen?

[English]

**Ms. Lucia Iacovelli:** The four companies that you have mentioned, which are known as the "sword" companies, are not KPMG clients. We have never been involved with those clients and we have not set those clients up.

[Translation]

**Mr. Gabriel Ste-Marie:** Let me ask my question again, since that's not exactly what I wanted to know.

Was KPMG Canada directly or indirectly involved in the creation or use of one or more of those four companies?

If so, which ones were they and how did that happen?

[English]

**Ms. Lucia Iacovelli:** We did not participate directly or indirectly. We did not ask another firm to set up these companies. We have no relationships, whether directly or indirectly, with the "sword" companies.

**The Chair:** Thank you both.

We will turn to Mr. Julian. Mr. Falk, you will be next on the five-minute round.

**Mr. Peter Julian:** Thank you very much, Mr. Chair. Thanks to all our witnesses for being here.

It's ironic that Canadians were asked last week to file their income taxes in the midst of a pandemic and that Canadians are paying their income taxes, yet we're now talking about tens of billions of dollars that are simply being taken overseas and are not subject to that common good and that collective investment that advances Canadians.

I would like to start with Ms. Watson. Thank you very much for your very important testimony today.

I want to reiterate that as you were doing all of your due diligence and all your work to try to get back the money after the fraud, you were told by every government agency representative, including the RCMP, that there was no way to get that money back once it left the country and went to an overseas tax haven.

Is that correct?

**Ms. Janet Watson:** Yes. That's correct.

Some of our members are victims who lost, including Ms. MacDonald who appeared on *The Fifth Estate* with me, half a million dollars. She doesn't mind my saying so. She has stated that publicly.

They went to the ombudsman. They went to the AMF, the provincial securities commission. They went to the police. They went to the RCMP. They were told the same thing, which is that they may as well forget it. It's gone. There's no way to trace it. Especially at Raymond Chabot Grant Thornton.... I was one of the bankruptcy inspectors working on the file. In all our meetings, they just said we will recover what we can, but there's no way to recover it once it has left the country, especially if there's no agreement with these other countries.

I thought the money was probably in the Bahamas or some place like that, but now I suspect that some of it may have gone to the Isle of Man.

• (1630)

**Mr. Peter Julian:** You've come to committee today. What would be your message and the message of all of the other victims of this fraud? What should the government be doing so that people can no longer defraud Canadians and just take the money to an overseas tax haven?

**Ms. Janet Watson:** They should, obviously, tighten up our laws. The Canada Revenue Agency should be able to trace this money. The police can't do anything more. I think it's a political issue now. I think it's something that the government has to deal with.

I think I mentioned we recovered some money in a class action suit in which we sued some of the accounting firms. When the money came back to us, some of it was in registered RSPs and RIFs. Some of it was investments outside. The Canada Revenue Agency made us jump through all sorts of hoops. They thought people would lie and say that they had already paid tax on the money because we had the option of putting the money back into RRSPs. They made us jump through hoops to do that, yet these rich people get these tax breaks all over the world.

**Mr. Peter Julian:** Thank you very much.

I'm going to move on to Ms. Iacovelli. As Mr. Ste-Marie has mentioned, when a committee requests information, it's important to follow that request. As you know, there's a non-cooperative tax jurisdiction list, which basically lists tax havens around the world.

I have a series of questions. As well, we'll be following up with a letter that we'd like KPMG to answer.

First off, how many client companies or shell companies—you called them “client companies”—that currently exist in the Isle of Man and in all of the other tax jurisdictions that are “non-cooperative jurisdictions” has KPMG set up? That's my first question.

Second, how many were established since 1999—again, in the same list—by KPMG internationally?

How many have been dissolved or wound up since 1999? That's my third question.

My fourth question is, how many Canadian clients of KPMG invest in overseas tax havens, either offshore bank accounts or shell companies—you've called them “client companies”—and how many out-of-court settlements has KPMG negotiated on behalf of those clients with Revenue Canada?

Those are the questions that we will ask you to follow up on.

I also note that you are here voluntarily. We certainly appreciate that. We will be convening other witnesses from KPMG, I believe, including Serge Bilodeau, who runs your Montreal office, and we appreciate that co-operation.

Can you also indicate, when you receive a notice to preserve documents, how those notices are observed within KPMG internationally?

My final question is around Parrhesia, which you've acknowledged is a KPMG client company incorporated on the same date as the “sword” companies on December 17, 2001. First you said in your testimony that it was a common registrar that KPMG had approached, and then you said that nobody was engaged to actually incorporate Parrhesia. Could you clarify that, please? Who within KPMG actually moved to register that client company?

**The Chair:** There are a lot of questions there, Ms. Iacovelli. I think some of them will come in written form, so on the general one at the last, could you respond?

**Ms. Lucia Iacovelli:** Maybe I'll start with the question with respect to products. We don't offer products. We offered the OCS product until 2003. We stopped offering the product in 2003, and we have not offered products since 2003.

I think you also asked a question with respect to tax havens. We don't provide any tax schemes or shelters with respect to clients. It's not what we do. We provide legal tax planning with respect to our clients, and we ensure that our clients pay the taxes that are required.

Unfortunately, I can't speak to Parrhesia. I'm not familiar with that. I will have to undertake to provide that if I can. You could appreciate that if it is a client, I can't provide information with respect to client files.

• (1635)

**The Chair:** Thanks to both of you. We'll come to Mr. Julian in a later round.

We have Mr. Falk for a five-minute round, followed by Ms. Koutrakis.

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chair.

Thank you to all the witnesses here at committee today. Your testimony has been very interesting and intriguing, and I wish I had lots of time to ask you all the questions I have.

Senator Downe, I just want to mention—because I don't want it to be lost and I want it to be recorded—that you've provided testimony that many of the other countries involved with offshore tax schemes have been able to recover funds and Canada has not. I find that very intriguing.

Ms. Watson, I would like to ask you some questions. You and Ms. MacDonald participated with *The Fifth Estate*. I found that episode very intriguing. As for my question on that, you've done 14 years of a relentless pursuit of justice and digging and trying to recover and acting on behalf of many of the individuals who lost money through this tax scheme on the Isle of Man. Would you be willing to comment on whether *The Fifth Estate* broadcast accurately reflects the research you've done?

**Ms. Janet Watson:** Yes, I would definitely say that it accurately reflects the research I have done. I worked with them during the producing of the program. They went way beyond. They uncovered things that I had no knowledge of.

I'm a 74-year-old housewife living in the Eastern Townships. I do not have the resources that they do to do this kind of investigative reporting. I was really very intrigued. I didn't know until I watched the show exactly what they had uncovered in the Isle of Man. It was an eye-opener.

It was something that we always suspected, because the money just disappeared. I'm not talking just about Mount Real; I'm also talking about Norshield and Cinar. The three companies were linked. There was \$500 million, and it didn't just disappear.

I believe that KPMG was the accounting firm for one of the Norshield companies. Ms. Iacovelli keeps mentioning Cinar, but I believe they were also an accounting firm for one of the Norshield companies.

**Mr. Ted Falk:** Thank you.

My sympathies go to you and to all the other victims of that fraud.

**Ms. Janet Watson:** Thank you very much.

**Mr. Ted Falk:** With that, I would like to switch over to KPMG.

Ms. Iacovelli, you've indicated that you weren't involved as a company and that you didn't provide advice to your clients on how to develop any of these schemes. Have any of your clients or your organization been involved in the Liechtenstein scheme?

**Ms. Lucia Iacovelli:** Unfortunately, I'm not aware of any.

**Mr. Ted Falk:** Okay. What about the Panama papers scheme?

**Ms. Lucia Iacovelli:** My understanding is that the listings with regard to the Panama papers are not publicly available. I'm not aware that any of our clients are within those Panama papers.

**Mr. Ted Falk:** When this committee was discussing concerns about tax avoidance and evasion with KPMG in 2016, Gregory Wiebe was asked about whether the Isle of Man scheme helped to restore the trust of Canadians in the tax system. He had this to say, and I'll quote:

I think that if you look at that particular issue through the lens that we look through today, no. I think that if you look at that issue through the lens that existed at the time, in 1999, when it was policy and practice for individuals to have monies in a non-resident structure offshore, it was a very different time. We used to smoke in restaurants in 2006. We used to text in our cars up until two years ago. Times change, and we change with them.

Looking at it through that lens, I can't defend it.

My question to you, Ms. Iacovelli, would be this: How would you say that KPMG has changed since 2016, when that testimony was provided?

**Ms. Lucia Iacovelli:** I think that we had already changed by 2016. We operate under our global and national code of conduct, which is our responsible tax practice. Some of the highlights from that responsible code of conduct are that we act lawfully and with integrity and that we provide clients with the highest quality of tax advice.

When we look at the lens from 20 years ago, the lens that we looked through was legality, and it was looking at GAAR. Since then and since the mid-2000s, we've added the additional lens of responsible tax. The tax landscape and social acceptances have changed greatly over the last 20 years.

You can also see it through a great deal of legislation that's been put in place, not just in Canada but globally as well, including Sarbanes-Oxley and the FIN 48 legislations. There was the global financial crisis, which impacted us greatly. The common standards reporting was introduced as well. There's been quite a bit that's

changed with respect to transparency, which has very much changed the social landscape and what's acceptable.

● (1640)

**Mr. Ted Falk:** Thank you.

**The Chair:** I'm sorry; we're going to have to move on. We're over already, Ted.

We have Ms. Koutrakis, followed by Mr. Ste-Marie.

Go ahead, Ms. Koutrakis.

**Ms. Annie Koutrakis (Vimy, Lib.):** Thank you, Mr. Chair.

Welcome to all our witnesses this afternoon.

Ms. Watson, I was very disturbed to listen to your testimony, because I've been employed in the financial services industry for more than 25 years. I don't know if my colleagues know, but I started in 1984 as an assistant stockbroker and went all the way up into a leadership role on the retail side, working for large firms owned by big banks and independent firms. I was employed in the industry in 2005, and when the story broke on Mount Real, Norshield and Cinar, I was supervising portfolio managers and financial advisers at the time. One of the primary roles and responsibilities I had as a professional registrant with IIROC was to make sure the people I was supervising were doing the right things.

Doing the right things meant that when new accounts were brought to my desk to be reviewed and opened, I had to make sure I knew who that account belonged to. It was removing the corporate veil. When I listened to the testimony today saying that we don't have a public registry to show the owners of some of these shell companies, I can tell you that through IIROC, we were doing that, so perhaps we can work directly with IIROC and the Autorité des marchés financiers in Quebec as a starting point.

With regard to KPMG, Ms. Iacovelli, I know in your testimony you said that you don't advise your clients—wealthy clients or any kinds of clients—to get into tax avoidance schemes, but I look to you for guidance and professional.... What kinds of checks and balances are in place for companies like KPMG when people approach you for tax information to make sure that they are not crossing the line or going beyond the spirit of the law? Are there any checks and balances when you are giving that type of advice to clients?

**Ms. Lucia Iacovelli:** I expect that all my partners abide by our code of conduct with respect to our responsible tax.

Again, we provide legal tax advice. We act lawfully and with integrity, and I expect that of all my partners. We explain clearly and objectively the technical merits and sustainability of tax advice to our clients, and we also don't allow for any transactions that are contrary to any relevant legislation.

We also have a very robust mechanism of client acceptance to ensure that we're working with clients of the highest integrity as well. We also have processes in place so that if there is a transaction that's out of the ordinary, it's brought forward to our risk and reputation committee, which is made up of several partners, and it undergoes a GAAR committee review ahead of that. I'm quite proud of our organization, quite proud of the type of law and the type of planning we provide to clients.

**Ms. Annie Koutrakis:** Thank you.

Senator Downe, you said in your testimony that the CRA has done a really great job on the domestic tax evasion side, but you've been critical of the agency's ability to address overseas tax evasion. What tools or powers does the CRA need to effectively address foreign tax evasion to the same extent as domestic tax evasion?

• (1645)

**Hon. Percy E. Downe:** I indicated in my opening statement a suggestion on compensation as well. Some of the people at the CRA are really what I would call unicorns. They have unique skill sets that they have developed over 10 or 15 years working for the Government of Canada, but they bump up against a salary cap that is government-wide. We have to address that. We have to be able to retain these people so that they're not scooped up by those who are working, if you will, on the dark side of tax evasion. You can't blame people for wanting to improve their financial situation, but the government has to take some initiative to keep these people.

The second area—and others have covered it as well—is that some of these international tax units have either been merged with other responsibilities or totally disbanded, so we need a dedicated group, and we're not reinventing the wheel here. The CRA tells us how complex these cases can be, but it's complex for every country. As I indicated, Iceland, with 340,000 people, recovered \$25 million through the Panama papers. We have not recovered anywhere near that, if anything, so there's something wrong there with the structure of the CRA, and senior management and/or the finance department should address it.

**The Chair:** I'm sorry, but we will have to move on, Annie; we're over on you too. We'll go to Mr. Ste-Marie, followed by Mr. Julian, for two and a half minutes each, and then we'll go on to Ms. Jansen.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Ms. Watson, let me tell you that we are going to do everything we can to get to the bottom of this. We will not give up. You can count on us, no matter how long it takes, we will not give up.

Ms. Iacovelli, I want to tell you how disappointed I am with your answers. Mr. Julian asked you questions, and you say that you have nothing in the Panama Papers, because the list does not exist. It was reported by the International Consortium of Investigative Journalists. I can't believe the extent of your stonewalling. I have a hard

time believing you because of your behaviour before this committee.

Ms. Watson mentioned this. You had Norshield and Mount Real as clients. They stole money from the little people, and when they were found guilty, poof, the money was gone. You are telling us that KPMG is not even remotely connected to the missing money. But the reports from CBC/Radio-Canada demonstrate that the sword companies were set up on the same day as the others, and that there is evidence that you set them up.

I don't believe you. I don't believe you.

I want to get to the bottom of this.

We will send you the questions, and we will ask you to answer them. Let me remind you that your code of conduct, which tells you not to answer, is not the law. Your code of conduct is not governed by legislation. I hope that we will have answers to our questions.

Also, Ms. Iacovelli, you say that everything you do is legal. Yes, and why? Because you are in Canada.

In the U.S., when KPMG did the same thing, the Internal Revenue Service (IRS), the equivalent of the Canada Revenue Agency, filed criminal charges against KPMG's executives and the company, even threatening to prosecute it as a criminal organization, which would have resulted in its dissolution.

The U.S. stood up, and that led to change. People paid money back and paid penalties. KPMG, in order not to be dissolved, agreed to dismantle three of its divisions, and to stop selling tax planning services. It paid nearly \$500 million in damages to the government, and agreed to have an IRS agent with unlimited access to all of its records at all times for three years. That's what the Canada Revenue Agency should be doing here to get to the bottom of this.

Criminal charges were upheld against the nine executives: two were cleared, six were fined a total of \$25 million, and one was imprisoned. That's what should be done here, if the Canada Revenue Agency and the Minister had any spine.

What do you have to say to that?

[*English*]

**The Chair:** Mr. Ste-Marie, you're at the end of your time, but I will give Ms. Iacovelli equal time to respond.

Go ahead, Ms. Iacovelli.

**Ms. Lucia Iacovelli:** Thank you, Mr. Chair.

We have no connection to Cinar. We are not involved with Cinar. We have never provided audit or tax advice to Cinar. We are not connected in any way—

• (1650)

[*Translation*]

**Mr. Gabriel Ste-Marie:** I had named Norshield and Mount Real.

[English]

**The Chair:** Gabriel, Ms. Iacovelli has the floor, and I think you have a previous note from her as well.

Ms. Iacovelli, go ahead.

**Ms. Lucia Iacovelli:** Thank you.

We are not in any way connected to the four “sword” companies. We have never provided any advice with respect to those companies. We have co-operated fully with the CRA. We've provided all the files and all the client names with respect to our offshore structures.

**The Chair:** Okay. We'll move on to Mr. Julian for roughly two and a half minutes.

[Translation]

**Mr. Peter Julian:** Thank you, Mr. Chair.

I, too, am extremely disappointed in the answers from KPMG. We ask questions and we are not getting answers.

The Standing Committee on Finance has the authority to seek that information. KPMG cannot just tell us that the company had absolutely nothing to do with this. They have to respond and explain. So far, we have received no answers to our questions, and there have been many.

[English]

I'm very disappointed in the quality of the answers we're getting.

I want to come back to the issue of client companies or shell companies.

[Translation]

We might even say bogus companies.

[English]

You said there are no longer any shell companies or client companies as part of KPMG's strategy. Did I understand correctly? Could you give us the date when those companies were dissolved or wound up?

**Ms. Lucia Iacovelli:** Thank you, Mr. Julian.

In terms of specific client information, I can't provide you with the details. My code of conduct precludes me.

**Mr. Peter Julian:** I'm not asking specifically. I asked earlier how many companies have been dissolved. You said they've all been dissolved. I'd like to know the dates when those companies were dissolved. That's data; it's not privileged information.

**Ms. Lucia Iacovelli:** Mr. Julian, I didn't mention anything with respect to clients. I didn't indicate whether they were resolved or not.

I cannot discuss client information with respect to this committee—

[Translation]

**Mr. Gabriel Ste-Marie:** A point of order, Mr. Chair.

The committee has been given powers by an act that overrides the professional secrecy of accountants, and that argument cannot be made before the Standing Committee on Finance. I am sorry.

[English]

**Mr. Peter Julian:** I asked you—

**The Chair:** Let's back up a little here. I heard your point of order, Gabriel.

Mr. Julian, you made your point. You have about a minute left.

**Mr. Peter Julian:** My question was very simple: How many client or shell companies exist? You said you don't use this anymore. Does that mean that you have dissolved all these shell companies or client companies, including Plantation Island, General Island, Sandy Point, First Land, Parrhesia that I mentioned earlier? Does that mean those companies no longer exist, or does KPMG still have shell or client companies as part of its portfolio?

**Ms. Lucia Iacovelli:** We do not offer the product. We have not offered the product since 2003. With respect to the specific client information, I cannot provide that. CRA has the names of all the clients, and we've provided them with each of the client bios.

**Mr. Peter Julian:** Ms. Iacovelli, I'm not asking for privileged information. I'm asking for numbers. You have access to those numbers. I don't understand why you are not being co-operative and answering these questions. They're legitimate questions.

**Ms. Lucia Iacovelli:** Mr. Julian, I believe that my colleague Greg Wiebe, when he was at the finance committee previously, indicated that we stopped offering the product in 2013 and that there were 16 implementations of that product.

**The Chair:** Okay.

We are going to have to go to the next round, which will be Ms. Jansen.

I think you do understand, Ms. Iacovelli, there will be some written questions coming your way.

Ms. Jansen, we're into five-minute rounds, followed by Ms. Dzerowicz.

• (1655)

**Ms. Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you.

Mr. Cohen, how could transparency assist in the fight against tax avoidance and money laundering in our country?

I understand there are legal loopholes that allow for some entities to accept large overseas transfers without reporting them to FINTRAC. There are lawyers who talk about lawyer-client privilege. Some say they are the worst offenders. Would the beneficial ownership registry tackle that problem in any way?

**Mr. James Cohen:** Yes, a publicly accessible registry would do a lot to fight tax evasion and money laundering in a number of ways.



Currently, only financial institutions are required to do beneficial ownership due diligence by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Thankfully, we are seeing the amendments come into force in June, when all designated non-financial businesses and professions will need to do the same due diligence. That will include accounting agencies, money service businesses and real estate agents. Legal professionals do have to do that due diligence. Due to the Supreme Court ruling, they do not need to file suspicious transaction reports.

It does put a lot of pressure on all the professions to conduct the due diligence and now have the data. They can't say, "Well, I've tried with a client; I don't know."

Once we have the registry in place it's very important that this data be verified through various methods so that all the various bodies that need to report, and even people looking to invest, like Ms. Watson, have the ability to do their own due diligence as well.

In a lot of ways, this will deter those bad actors from coming in the first place. Hopefully those who still want to game the system will be caught.

**Mrs. Tamara Jansen:** Thank you very much.

Ms. Daviau, you mentioned how CRA was criticized in the previous decade for focusing audits on small businesses and charities and how that impacted auditing work. You also mentioned in your testimony that the focus should be on wealthy individuals and powerful corporations who do the majority of the cheating. Is there a justification for the fact that CRA appears to be aggressively focusing on small mom-and-pop shops for audits during COVID and ignoring the wealthy individuals and powerful corporations you just identified as the real problem?

**Ms. Debi Daviau:** I actually don't think they're ignoring them; I just don't think they have the same capacity to address international taxes that they do to address local taxes.

I don't want to reiterate what those drawbacks are again, but certainly employees at the Canada Revenue Agency are up against, as I said, tax giants. These are people who have immense skill, technology, expertise and other big companies on their side. The CRA needs to be on a level playing field.

**Mrs. Tamara Jansen:** Okay. What I understand from what you're saying, then, is that domestic audits are much easier to chase than international ones.

I understand from your testimony just now that there is a lack of expertise among the team of auditors when it comes to international audits. Does that lack push auditors to work mainly on those less complicated cases, which would generally have co-operative business owners who are very easy to contact and follow up with?

**Ms. Debi Daviau:** There's actually no lack of expertise, but rather capacity in terms of organizational structure. What I talked about was that they had broken down the international tax units, which really took away their ability to realize synergy of working together and exchange of documents and information. These are very complex files, and they need to be set up a certain way and resourced to be able to attack them, and so those resources are now—

**Mrs. Tamara Jansen:** So it does appear—

**Ms. Debi Daviau:** —part of generalized teams, and they just don't have the right tools to address it.

**Mrs. Tamara Jansen:** Right.

You're saying "capacity". You don't have enough people, so instead you're going for the easy targets, which is really distressing to me, but—

**Ms. Debi Daviau:** Sorry, but I just want to qualify. I'm not saying that at all. I'm saying that international tax resources are focused on international taxes. There's no crossover. They're not asked to work on local files instead. They just don't have the capacity to get it—

**Mrs. Tamara Jansen:** Sorry; I have a short amount of time and I have another question.

**Ms. Debi Daviau:** Yes, understood.

**The Chair:** Tamara, you'll get the time. We'll let Ms. Daviau finish her response and then we'll go back to you.

**Ms. Debi Daviau:** No, that's quite all right. I think I've said what needs to be said.

**The Chair:** Okay.

Ms. Jansen, you have a last question.

**Mrs. Tamara Jansen:** I'll go back to Mr. Cohen.

Wouldn't the problem with tax avoidance be somewhat improved if we finally committed to cleaning up the cumbersome tax code, which is made worse year after year with boutique tax cuts and loopholes?

I know this year's budget was full of all sorts of technicalities that the officials took endless hours to explain to us over the last few days. I saw Mr. Easter there, and Mr. Fraser. I can't even imagine the amount of work tax accountants spend every year just to get up to speed on all the changes.

Wouldn't the KISS principle be a good place to start with our tax code?

• (1700)

**Mr. James Cohen:** Thank you for the question.

I wouldn't be able to answer that from a TI Canada perspective. I'm not an expert in the tax codes. As an individual, I'd be happy with a simple tax code—the fewer loopholes, the easier. Making that distinction between tax avoidance through legal means and tax evasion and not declaring anything, period, would be my only answer to that.

**The Chair:** Okay, we are going to have to end it there. We have recommended a comprehensive review of the taxation system from this committee, I believe, twice over the last six years.

We turn to Ms. Dzerowicz, followed by Ed Fast.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thanks so much, Mr. Chair.

First, thanks to everyone for their excellent testimony and this important conversation.

Ms. Daviau, my first question is to you.

You started off by saying that you represent all the workers who work for the CRA, and I know that you work very hard. You were talking about how they have a hard time. They're noticing people taking advantage of loopholes and exemptions and tax credits.

Is there some sort of a process whereby there is actually some feedback that comes from employees through to senior leaders so that it gets to government decision-makers? Sometimes there are inadvertent things that happen, and you want to make those corrections. Are those things in place right now, to your satisfaction and to the sufficiency that's needed so that we can maybe make some of those corrections sooner rather than later?

**Ms. Debi Daviau:** I certainly can't speak for the Canada Revenue Agency, although I personally don't know of any such mechanisms that allow the ground-level workers to feed up on some of those issues.

Recently there was a huge failure in the Supreme Court on the Cameco case. Again, going back to those who were involved in that case, there are legislative loopholes and there's nothing for them to do about that.

Sorry; I completely lost my train of thought, Julie.

Our auditors are telling us that they are simply lacking in particular resources and that they could do this job if those gaps were closed. I'm sorry if I'm not answering your question. As I say, I kind of lost my train of thought.

We're very passionate about this because we do have mechanisms for our members to feed up to us. We're hearing from them on a regular basis. We've conducted a number of surveys, some of which we've referenced during this testimony. Our members are telling us that there are gaps that need to be addressed. We're using this forum, as well as any other forum we can have a voice in, to ensure that their voices are heard by the decision-makers.

**Ms. Julie Dzerowicz:** Thank you. I think that's maybe one of the areas we could look into. I always think that for the people doing the work, it's good to find mechanisms to get feedback directly.

My next question—

**Ms. Debi Daviau:** I did reference the whistle-blower stuff. You need the ability for employees to be able to blow the whistle on bad practices. Unfortunately, the protections for them are very bad right now, so employees would not be compelled to do that.

**Ms. Julie Dzerowicz:** Okay.

I don't know who I should direct this to. Maybe it's for Mr. Cohen or even Senator Downe.

We've spent a significant amount of money to try to deal with tax evasion. My sense has been that it's to try to deal with a lot of the international tax evasion. I think it was \$444 million in 2016. I know it was \$523.9 million in budget 2017. I know that in our fall

economic statement, we invested another \$606 million over five years to close the high-net-worth compliance gap, to strengthen technical support for high-risk audits and to enhance a criminal investigations program.

Has none of that been helpful to actually deal with the tax evasion issues, primarily internationally, as we've been talking about?

Mr. Cohen—

• (1705)

**Hon. Percy E. Downe:** I could answer that, Chair.

Of course you made the key point there, which is that it's over five years. When I asked for documentation of how the money was spent—for example, in 2019 I received a written question in the Senate—the government acknowledged that just over \$250 million was actually spent from the 2016-17 budget. Then we find that the money was not spent quite where it was said it was going to be spent. The CRA advised us that they had to spend some of the money on funding towards employees' benefit plans. Obviously treating your employees fairly and fulfilling collective agreements is important, but it's not the same as cracking down on tax evasion, which was how the commitment was described in the budget.

I don't have any additional information on the money, although I do note that the revenue minister stated in response to a House of Commons question number 541 that in order to free up CRA resources for pandemic-related programs, many audits have been temporarily suspended as a non-critical service. I'm wondering what that means about overseas tax evasion.

All that is to say it goes back to the point I was making earlier. There's something structurally wrong in governance in the CRA and how they run their operation. That's an area that should be looked at.

**Ms. Julie Dzerowicz:** Thank you.

**The Chair:** Thank you all for that.

There's a little confusion over times. I got some notes from committee members. This session, we'll give it the full two hours. That will make it 5:33 Ottawa time when we stop, and then we will go to committee business for a half-hour.

We'll go to Mr. Fast, then Mr. Fragiskatos, and then we'll pull in—

**Mr. Peter Julian:** I have a point of order, Mr. Chair.

The committee hasn't decided to shift to that, and we still have a lot of questions.

**The Chair:** That is what I'm saying we're going to. That's what's in the agenda. We can debate that later or we can take more time and debate it here right now.

We do have some other issues that we have to deal with as a committee, and the budget implementation act is pretty important too.

We'll go to Mr. Fast and Mr. Fragiskatos, and then we'll come back to Mr. Kelly, if that's where you want to go.

**Hon. Ed Fast:** Thank you, Mr. Chair.

I'm going to direct most of my questions to Ms. Iacovelli, but first I have a question for Ms. Watson.

My sympathies go to you and all of the victims of these frauds. I wish there were a better way of recovering the losses that you've suffered.

You've heard Ms. Iacovelli say that KPMG has no culpability in the different frauds that we're discussing today, whether it's Norshield or Cinar or Mount Real. Do you accept her denial?

**Ms. Janet Watson:** No.

**Hon. Ed Fast:** Can you tell me why?

**Ms. Janet Watson:** Just judging by what was uncovered in *Enquête* and *The Fifth Estate*, there were too many coincidences. Ms. Iacovelli keeps referring to not being involved with Cinar, but I know KPMG was involved with Norshield. I'm not satisfied with her answers. I will give her the benefit of the doubt to say possibly she is correct or maybe she's not permitted to give more information, which is probably the case.

**Hon. Ed Fast:** All right.

I'm going to ask some questions of Ms. Iacovelli.

Ms. Iacovelli, you have denied any culpability in these frauds, but you did acknowledge that KPMG has established offshore structures for clients, correct? Just give a yes or no.

**Ms. Lucia Iacovelli:** We provided products, which was the offshore product, until 2003. We have not provided any products after 2003.

**Hon. Ed Fast:** Prior to 2003, this product you provided was the OCS program.

**Ms. Lucia Iacovelli:** It was the OCS structure, correct.

**Hon. Ed Fast:** All right.

Just for complete clarity, when you're referring to that product for these offshore structures, was the purpose of those structures to reduce the tax exposure of your client companies?

**Ms. Lucia Iacovelli:** With respect to the offshore structure, the purpose of the structure was that it would mimic a non-resident trust. Back in those days, those trusts were very much—

• (1710)

**Hon. Ed Fast:** Okay. My question was very simple. Was it to reduce the tax exposure of your client companies?

**Ms. Lucia Iacovelli:** Unfortunately, it's not a yes or a no answer, Mr. Fast. It's a very complex tax act. The last time I looked, it was over 2,300 pages.

With respect to the offshore structure, the offshore structure very much operated like a non-resident trust, which was very much accepted by the government. The government welcomed those types of structures because they allowed for wealthy non-residents to move to Canada and establish residency in Canada.

**Hon. Ed Fast:** Okay, then it was about reducing the tax exposure of your clients.

**Ms. Lucia Iacovelli:** Mr. Fast, with respect to the offshore structure, again, it's very complex. It's not just a yes-or-no answer.

**Hon. Ed Fast:** I hate it when accountants try to hide behind complexity to avoid answering questions.

Let me ask you this: Why was the program terminated?

**Ms. Lucia Iacovelli:** The program was terminated because we very much felt that the landscape was changing. We very much felt that it was legal, and it also passed the GAAR testing, but at the time, KPMG was very much changing its views with respect to tax and what was acceptable from a responsibility perspective. The world was changing also with respect to what was socially acceptable.

I appreciate that I'm getting the sense that everyone feels I'm not being co-operative, but I want to point out that it's not my intention.

We are here voluntarily today. I am providing all the information that I'm able to provide. I think that you have to appreciate that my code of conduct precludes me from discussing specific client situations. I am happy—

**Hon. Ed Fast:** I never asked you to discuss specific client situations. I just asked you a very general question about the tax consequences of the OCS program. Now I did want to ask one more.

You've served notice for libel on the CBC for its reporting, but your firm did face legal sanctions in the U.S. from the advice you gave to clients respecting the offshore structures, correct?

**Ms. Lucia Iacovelli:** I'm not familiar with what occurred in the U.S. I'm not connected with that matter whatsoever.

**Hon. Ed Fast:** You have no knowledge about that at all—is that what you're telling me?

**Ms. Lucia Iacovelli:** I do have knowledge of it, Mr. Fast, but I don't—

**Hon. Ed Fast:** Can you say—

**Ms. Lucia Iacovelli:** —have details.

**Hon. Ed Fast:** I'm not asking you for details.

**The Chair:** Mr. Fast, if you could, give Ms. Iacovelli time to respond. We have to be fair here.

**Hon. Ed Fast:** I'd like a yes-or-no answer, Mr. Chair.

**The Chair:** We try not to get into yes-or-no answers. You know that.

Go ahead, Ms. Iacovelli.

**Ms. Lucia Iacovelli:** I understand that our U.S. member firm did face penalties with respect to that occurrence, and I understand that this had implications for the types of services it was able to provide.

**Hon. Ed Fast:** Okay. Thank you for that answer.

I know you don't admit to culpability for these frauds, and I understand why you would do that. However, reflecting on what has happened, is there something you could have done to prevent these frauds from occurring, as an accounting firm and as a consultant to your clients?

**Ms. Lucia Iacovelli:** With respect, again, we have no connection with Cinar and with the “sword” companies, whether directly or indirectly. I'm a tax adviser; I'm not a specialist with respect to fraud. I couldn't even begin to explain how to prevent something like this.

**Hon. Ed Fast:** You did say that you—

**The Chair:** This is your last question, Ed.

**Hon. Ed Fast:** All right.

You did say that you had done an extensive review. KPMG had done an extensive review of steps that could have been taken.

Can you tell us if this extensive review you undertook actually provided you with some information as to what additional protection could have been implemented to protect vulnerable Canadians like Ms. Watson?

**Ms. Lucia Iacovelli:** The extensive review we undertook was to determine which clients sat under the OCS. Back in 2017, the CBC approached us again about the “sword” companies. We spent thousands upon thousands of hours reviewing our files—hard-copy files and electronic files—and conducting forensic reviews within our systems to determine if those clients were our clients. I can very certainly say that they aren't our clients.

With respect to your question on what can be done, I think we've seen a lot of measures put in place for common reporting standards. A lot of global standards have been put in place as well. There's an exchange of information, including the PAC exchange with the U.S.

The most recent budget included a new form of disclosure requirements for transactions. From a corporate perspective, there are also disclosures for foreign affiliate reporting. An extensive number of disclosures are required with respect to offshore accounts, both for individuals and for corporations.

• (1715)

**The Chair:** We'll have to end it there.

Here is the lineup. Going back to the top of the round, I have Mr. Fragiskatos for about five minutes; Mr. Kelly, if he wants to go to the top of the round; Mr. Fraser; Mr. Ste-Marie; and Mr. Julian. There are about three minutes each for the last four.

Go ahead, Mr. Fragiskatos.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** Thank you, Mr. Chair, and thank you to the witnesses.

Mr. Cohen, I'm interested to hear your perspective, particularly because your organization has an international focus. Can you let us know which democracies really stand out in the efforts put in place to meaningfully address tax evasion? Which ones can Canada look to for making improvements and building upon things we've done in recent years?

**Mr. James Cohen:** Thank you for the question.

As regards overall tax evasion, I wouldn't be an expert in that in terms of the kinds of information exchanges that Ms. Iacovelli pointed to.

In terms of beneficial ownership registries and where the trend has gone, the U.K. was the first country to establish a publicly accessible registry, followed by the European Union setting out anti-money laundering directive 5, so all EU members have to have a publicly accessible registry. Now, some are at different scales of that procedure. As I mentioned in my opening, the U.K. Crown dependencies and overseas territories felt pressure from that or felt co-operation from that and so followed on.

It's not just those countries. As well, in the Open Government Partnership, a number of countries have signed on there to establish registries. Countries such Mexico and Kenya are moving towards registries. The extractive industries transparency initiative, the board of which Canada sits on or chairs and contributes funds to, has required all 54 members that have signed on to disclose beneficial ownership information of companies seeking oil and mineral rights, and they suggest to their members to have a beneficial ownership registry as well. In terms of that tool working towards helping fight tax evasion, it's a growing number of countries, including some of the countries that are listed as the worst tax evaders.

The United States just recently passed the Corporate Transparency Act, which will have a centralized private registry. The number of countries that a tax evader would want to move their funds to, where a crooked politician couldn't just dive into their bank account, is shrinking and shrinking progressively, so it's good that Canada has joined that group.

**Mr. Peter Fragiskatos:** I very much agree with you. Judging from everything you've just said and based on your initial testimony, it sounds as though there's a certain momentum that has developed within democracies to address the issue. Do you think that's a fair observation?

**Mr. James Cohen:** Yes, I think that's a very fair observation.

**Mr. Peter Fragiskatos:** Thank you very much.

Ms. Watson, again, thank you very much. My colleagues have absolutely done the right thing and thanked you for appearing here today. They've been very sincere, and for very good reason. I think it takes a great deal of courage to be an advocate as you have become, and I do want to pay attention to the human side of the equation. Certainly there are policy issues and implications that are at play here, but you've become an advocate. I know there are many other advocates as well, but you've become one of the voices on this issue in Canada.

Regarding those whom you've had a chance to get to know through your advocacy, you did mention some of this in your testimony earlier, but could I ask you to expand on that? Truly it's important for the committee to understand the human side to this. How are they doing, those whom you've met along the way who have been victimized, whom you know and have met?

If you can elaborate on that, it would be helpful.

• (1720)

**Ms. Janet Watson:** Thank you.

Well, it has been 16 years since the fraud was uncovered. Most of us have tried to move on with our lives. A number of our victims passed away. Because in our investment you had to have at least \$50,000 to invest, most of the investors were people in their fifties and up. We've lost quite a few.

I've heard incredible stories. One was a man who survived Japanese prison camp and was married to a Holocaust survivor, an incredible man. The people I've met along the way have been so kind, so helpful and so grateful for what I do in keeping them informed or having kept them informed.

There was a well-known singer in Quebec who kept his story private for a long time, until we had a meeting. He met a number of the other victims and he realized that these were ordinary people. They were businessmen, doctors, lawyers, dentists and professionals who were victimized the same as he was, so he told his story publicly.

We did everything right. All our financial representatives were registered with the AMF. They were all in these professional associations. Mount Real was listed on the stock exchange. There was nothing to suggest that this company was an enormous Ponzi scheme until it was too late.

**The Chair:** Okay, we will have to end it there. I'm sorry.

We'll go to a couple of minutes each from the following: Mr. Kelly, Mr. Fraser, Mr. Ste-Marie, Mr. Julian and Ms. May.

Mr. Kelly, the floor is yours. Do you want it, Pat, or who's taking it?

**Hon. Ed Fast:** I believe, Mr. Chair, I'm taking this round.

**The Chair:** Okay, Ed, you're on.

**Hon. Ed Fast:** Thank you. I have one quick question of Senator Downe.

You mentioned that the PBO can't get CRA's co-operation to do a full tax gap analysis. Is it a matter of resources? Is it a matter of training? What's the problem here? Do they not have the skill sets to be able to do them?

**Hon. Percy E. Downe:** If you ask the PBO, and I'm sure you'll have him as a witness, he'll tell you it's a lack of co-operation. The PBO has sent out detailed plans with information they require, and again, it's not personal information; it's the collective information. They ended up getting a legal opinion advising CRA that they had the authority to do this, and the CRA has refused to budge, and nobody has intervened.

**Ms. Debi Daviau:** Our members have not been asked to do this work.

**The Chair:** I was going to ask you, Ms. Daviau, if you wanted in.

Go ahead, Ed. Sorry.

**Hon. Ed Fast:** Again, Senator Downe, is this a matter of political unwillingness to do this?

**Hon. Percy E. Downe:** That's a good question. I don't know. What the CRA has ended up doing is they've done six individual tax gaps, and even they have shown that between \$20 billion and \$24 billion is missing that they're failing to collect.

I can understand why they don't want to do an overall tax gap, but given the record of misleading information of the CRA—and I have a long list of examples of those—it's best if an outside group does it. In this case, the PBO is the group to do one. I think this is the third PBO who has been trying to get the information.

**Hon. Ed Fast:** Mr. Campbell, you mentioned that there is \$25 billion that could be available if the proper tools were in place. You mentioned two specifically: formulary application of profits and unitary treatment to address transfer pricing.

Could you just quickly comment on those two?

**Mr. Ryan Campbell:** On formulary allocation of profits, what you're basically doing is choosing different criteria to ascertain what amount is going to be taxed. This is already done in Canada to determine which province a company should be taxed in. I think the criteria used are payroll and sales, so you look for that economic substance and then tax accordingly.

Unitary treatment of multinational corporations is so that there can't be this shifting of profits within their own supply chains in a way that's meant solely to be advantageous for tax treatment, as opposed to accurately reflecting where the commerce takes place. It allows it to be taxed in the appropriate country so that it goes into the—

• (1725)

**Ms. Debi Daviau:** [*Inaudible—Editor*]

**The Chair:** Okay—

**Ms. Debi Daviau:** Sorry, Ryan; that was my outside voice.

**Mr. Ryan Campbell:** No; if you want to, go ahead.

There was one last aspect to the combination of policy prescriptions that would help reduce profit shifting and transfer pricing, and that would be—it's been used in other countries or is starting to be implemented in other countries—the idea of a global minimum tax for corporations. It is international co-operation to make sure that corporations are taxed fairly everywhere and that they're not skirting responsibilities everywhere.

**The Chair:** We're way over where I wanted to be, Ms. Daviau, but go ahead, very quickly.

**Ms. Debi Daviau:** Very quickly, just in plain language, what this means is that you have basically a shell company set up in a country where the tax laws are advantageous. Nobody even works there. Sometimes there's not even a physical workspace, but that is the country in which the profits are being taxed, as opposed to where they're being made, such as here in Canada. Sometimes our resources are being taken for these profits that we don't even get taxes on.

**The Chair:** Mr. Fraser, you have about two and a half minutes.

**Mr. Sean Fraser:** Thank you, Mr. Chair.

I sent a note to our colleague Ms. May indicating I'd be willing to cede my time. I don't want to see her get cut off with the bump you save at the very end, so I'm happy to pass it over.

Should Mr. Campbell or Ms. Daviau have the opportunity to advise on what steps we can do to support efforts towards a global minimum corporate tax, I'd be interested in your advice, but I'll cede the floor.

**The Chair:** Ms. May, we'll go to you, through the kindness of Mr. Fraser.

**Ms. Elizabeth May (Saanich—Gulf Islands, GP):** Thank you. I would love to give Sean back some time. I will try to be really brief.

I've been troubled for decades by consistent reports from the Auditor General's Office that CRA does not take seriously their efforts to go after fat cats with complicated structures and lots of lawyers as much as they do in going after little guys like my friends or in auditing my daughter as a university student. You have to wonder.

As experts in how CRA operates, going first to PIPSC—either Ryan or Debi—and then to Senator Downe if there's time, is there a cultural problem within CRA that's deep and systemic, which both through resources and culture would make them go after Canadians with limited means rather than pursue complicated files on well-heeled tax evaders?

**Ms. Debi Daviau:** I personally don't think so. I think it's a question of not having enough resources, not enough supports, not the right organizational structure in place to maximize their ability to go after international tax cheats.

Maybe Ryan has something to add.

**Mr. Ryan Campbell:** My interactions with auditors, which are numerous, suggest that they're driven by a deep sense of fairness and that what they want is a tax system that's defined by integrity and fairness. Nothing would make them happier than having rules and resources that would allow them to go after the “big contact” cheats, the ones who are trying the hardest to avoid taxes.

**The Chair:** Senator Downe, did you want in on that one?

**Hon. Percy E. Downe:** Sure.

It's the senior management of the CRA, and I have a long list that I can send the committee, if you're interested.

Let me give you one example of the problem at CRA. They announced in 2017 that 90% of calls to the agency were successfully connected to an agent or an automatic help line. The Auditor General investigated that claim and found out that they blocked 29 mil-

lion of them. That meant that the overall success was 36%. Now, what agency of government thinks it's acceptable to claim 90%, when they block 29 million of the calls and then don't include them?

There's a long list of the ways in which they conduct themselves. I have not seen anywhere else in my experience in provincial or federal government that an agency or a department of government operates this way.

**The Chair:** We will have to move on.

Go ahead, Mr. Ste-Marie.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Ms. Iacovelli, I would remind you that the act that gives the committee its powers overrides the professional secrecy of accountants. You can consult section 48 of the Code of Ethics of Chartered Professional Accountants of Quebec if you want to verify this.

I will now refer to the CBC website article published on April 27 by two journalists, Mr. Cashore and Mr. Zalac, who reported having found, through the Paradise Papers leak, internal emails written by Sandra Georgeson, an administrator for several shell companies incorporated in the Isle of Man for KPMG's Canadian clients.

Here's what it says:

In an email dated Dec. 16, 2015, with the subject line “Canadian Tax Investigations,” a manager asked Georgeson “who was [the] promoter of the scheme/product”? She answered that it was “KPMG in Canada”...

Do you acknowledge that as true?

• (1730)

[*English*]

**Ms. Lucia Iacovelli:** I'm sorry; I'm not sure that I fully understood. Was it with respect to the offshore structure?

I'm not sure that the translation is coming through clearly.

**The Chair:** Do you want to just quickly summarize that again, Gabriel?

[*Translation*]

**Mr. Gabriel Ste-Marie:** In the Paradise Papers leak, journalists reported finding internal emails written by Sandra Georgeson, an administrator for several shell companies incorporated in the Isle of Man for Canadian clients.

She said that KPMG in Canada was the promoter of the scheme/product.

Do you acknowledge that as true?

[English]

**Ms. Lucia Iacovelli:** I think we've always been forward about the fact that we created the offshore structure, but with respect to the Isle of Man, there are other offshore structures that were available at the time that were not KPMG offshore structures.

[Translation]

**Mr. Gabriel Ste-Marie:** In the email of December 16, 2015, Sandra Georgeson attached a spreadsheet with the names of four companies related to the KPMG scheme, which may have been used by the fraudsters in the Cinar, Norshield and Mount Real case. Those were Katar, Sceax, Spatha and Shashqua.

Once again, I understand that you are distancing yourself from that, and that, although those four sword companies were associated with KPMG in Canada, you are telling us that you are not connected to them in any way, shape or form. Is that correct?

[English]

**Ms. Lucia Iacovelli:** That's correct. We are not in any way connected to the "sword" companies. There are a few emails in which Ms. Georgeson actually contradicts herself. In one email she says that Cordery was only the service provider for KPMG, when we know that Cordery was also the service provider for nine other non-KPMG OCSs and was also the service provider for the "sword" companies, which we had no involvement in.

She also goes on to indicate that the service provider provided other services and not just the OCS services. She contradicts herself in saying that was the only service that she provided. She also goes on to say that the OCS was unique to KPMG. We know for a fact that it wasn't unique to KPMG. There are all sorts of OCSs that are provided within the Isle of Man.

With respect to Ms. Georgeson, I'm not suggesting she is lying; I'm suggesting that she is an administrator who was doing her job but really didn't provide the same level of due diligence that we would have in terms of searching out who was included within the KPMG offshore companies.

We've done extensive searches within our databases, Mr. Ste-Marie. We've spent hours upon hours searching our databases, including forensic reviews. We've involved external legal counsel as well. We've interviewed everybody involved with the offshore structure.

[Translation]

**Mr. Gabriel Ste-Marie:** I have to interrupt you. That's all in the article.

I have one last question.

Has KPMG Canada ever had Norshield and Mount Real as clients?

[English]

**Ms. Lucia Iacovelli:** With respect to Mount Real, it was not a client of KPMG. With respect to Norshield, we were the auditor of a fund that is in a chain of funds with respect to Norshield. That fund was Olympus. When we were the auditors, there was a sophisticated fraud that was undertaken at Olympus, and unfortunately we didn't uncover that. The fraud involved an inflation of asset values,

which in my understanding is different from the fraud that was undertaken with respect to Cinar and the "sword" companies.

That—

**The Chair:** Okay—

[Translation]

**Mr. Gabriel Ste-Marie:** Ms. Watson, we will not give up.

[English]

**The Chair:** We'll let you finish, Madam Iacovelli.

**Ms. Lucia Iacovelli:** Thank you.

RSM International were the receivers with respect to that Olympus United Funds Corporation, and their view was that we should have caught the fraud. Unfortunately, we did not catch the fraud and we did settle with respect to Olympus. We paid \$7.5 million to the receiver. RSM International were also the receivers when there was no redemption reimbursed with respect to the funds.

We have looked very carefully at this. There is no connection that we see between the Olympus fund and Cinar.

• (1735)

**The Chair:** Okay, we are going to have to go to Mr. Julian.

Peter, you are muted.

[Translation]

**Mr. Peter Julian:** I'm sorry, Mr. Chair.

We certainly need more time to question the witnesses. There's a lot of important testimony, particularly on KPMG's actions following the revelations that aired at the end of February on *Enquête* and *The Fifth Estate*.

[English]

I want to come back to this issue from your own testimony, Ms. Iacovelli. You have stated on the record that shell companies, client companies, were not offered after 2003. In the past, KPMG has validated that the Montreal office was behind the incorporation of Parrhesia on December 17, 2001, at the same time as the "sword" companies.

Since this wasn't offered since 2003, imagine my surprise when we went online to find out when Parrhesia was actually dissolved. It was dissolved 43 days ago, on March 24, 2021, just three weeks after the bombshell revelations from *The Fifth Estate* and *Enquête*. How can KPMG pretend they weren't offering that after 2003 when the corporate registry says very clearly that it was only after *Enquête* and *The Fifth Estate* came forward that the company was dissolved?

**Ms. Lucia Iacovelli:** I don't have any information on that entity.

**Mr. Peter Julian:** You understand that it contradicts all the testimony you have given us today. When you say that it's a product that hasn't been offered since 2003, but we can look on the corporate registry and see that it was just after revelations came forward that the company was actually dissolved.

There are a whole host of unanswered questions, Mr. Chair, so I would like to move that we extend our witness time until the end of the meeting so that we can continue to ask these questions.

**The Chair:** Okay, it is a motion on the floor.

As Chair, I am going to speak on this. You can rule me out of order.

We had a meeting scheduled for two hours, and we're over that. If anyone thinks that we're going to solve this problem with another 20 minutes, we're not. We have the opportunity to call another meeting.

It's my judgment call and I try to be fair, but we agreed as a committee that we would do the budget implementation act and we would turn to it when it was tabled in the House. We now know that we have to farm out about 12 divisions of part 4 to other committees.

I've tried to get a steering committee meeting for Monday, but we couldn't get it. I asked the clerk to check if we could get any other time next week, but we can't get it.

Now honestly, folks, if we cannot deal with this motion on the BIA today, then we can't do anything until Tuesday at a regular meeting when we're really going to try to see if we can get the minister there on the budget implementation act. The issues in the budget implementation act are important to Canadians.

In fairness to other committees, if we don't allocate to them the work they have to do, I don't know when they're going to get time to do it. We've got 24 hours booked on the break week for this committee.

That's what we're up against. I hear your motion and I know that as chair, I shouldn't talk against it, but based on my judgment, I think we're being unfair to other committees. I think we're being unfair to other Canadians if we don't deal as a committee with the issue of the budget implementation act today. I think we can call another meeting on this present issue as soon as we get the BIA out of the way.

That's where I'm at on your motion, Peter. I know you could fire me as chair for that, but that's my view and I feel fairly strongly about it.

There's a motion on the floor.

• (1740)

**Mr. Peter Julian:** I'll just briefly speak to it and hopefully we can get back to the witnesses, Mr. Chair.

I don't question your wisdom. This is a very complex motion that was given just a few minutes before the meeting. Not even every member of this committee has read it. We have to consult as well with our caucus and with our critics. It's simply unfair to try to ram this through when we haven't had adequate notice. Normally it's two nights. I can understand that everybody's busy, but due notice and respect for the committee is important. I think if you try, you will be able to get that Monday steering committee meeting, and that will allow us to bring a recommendation to Tuesday.

I'm not trying to delay anything, but we have important witnesses here. I think we should just spend the rest of our time with the witnesses and deal with this motion when we've actually had time to consider it.

**Mr. Sean Fraser:** I have a point of order, Mr. Chair.

**The Chair:** Go ahead, Mr. Fraser, and then I have Mr. Fast on my list.

**Mr. Sean Fraser:** I'm happy to speak to the motion when it's my turn.

On the point of order, I'm just wondering, Mr. Clerk, if we have the technical ability to sit later this evening. Is that something we could do to accommodate additional questions that members may have for witnesses and preserve the ability to discuss committee business today?

**The Chair:** Go ahead, Alexandre.

**The Clerk of the Committee (Mr. Alexandre Roger):** As I informed the chair before the meeting, the cut-off time before the committee starts impacting other committees that sit later tonight is six o'clock. If we go later, the whips will have to decide which committee is not meeting tonight.

**The Chair:** Okay.

That's the answer to that one. What's the situation like next week for getting time?

**The Clerk:** There is no room next week for additional meetings whatsoever.

I tried on Monday. The status of women committee already took the spot that was available Monday evening, so there's no more room on Monday. I looked at the services and I asked my management and there's simply no room next week for additional meetings at any time.

**The Chair:** Okay.

We're still on the motion, then. We'll go to Mr. Fast, Mr. Fragiskatos and Mr. Kelly, and then I'd like to call the question.

**Hon. Ed Fast:** Mr. Chair, let me start by saying I've always appreciated your even-handedness at committee, so this is not a challenge to you. I do disagree with you, though. This motion from Mr. Fraser is a very significant one, and it was sprung upon us today. Quite frankly, we have these witnesses here on a very important study, and I'm sensing we've just scratched the surface with them. If we have another 20 minutes, I think we can use it productively to get additional information that's really going to be helpful in crafting the report that comes out of this.

**The Chair:** We're down to 17 minutes now.

Next is Mr. Peter Fragiskatos.



**Mr. Peter Fragiskatos:** Chair, I don't dismiss for a moment the fact that we've heard important things today. As you said, we can have other meetings on this after we deal with the BIA, but as I remind my colleagues, especially those who sit on the subcommittee with me and with us, we agreed that this meeting would be two hours. We have now exceeded that. We do not need to have a notice of motion given on matters of committee business. My colleagues are experienced and will know that. I'm surprised that they're raising a point of view to the contrary.

We do have an important issue to deal with, which Mr. Fraser has put forward, and I think we should move in the direction of looking at it.

**The Chair:** Mr. Kelly, the last word goes to you. Then I hope we can go to a vote.

**Mr. Pat Kelly:** You can go ahead and call the question, Mr. Chair.

**The Chair:** All right, we'll go to a recorded vote. Mr. Clerk, do you want to call the vote?

• (1745)

**Ms. Julie Dzerowicz:** Could you read out the motion?

**The Clerk:** Do you want me to do it, or would you like the...?

**Ms. Julie Dzerowicz:** Yes, you can do it, Mr. Clerk.

**The Clerk:** Mr. Julian moves "that the meeting be extended to continue the questioning of witnesses until six o'clock."

Is that right?

**Ms. Annie Koutrakis:** I have a point of order, Mr. Chair. Can we ask the witnesses if they're available to stay any longer? I mean, I don't know if they have other commitments, but we're assuming they can stay.

**Ms. Julie Dzerowicz:** I have a point of order.

**The Chair:** It's only 15 more minutes on that end. I don't see them jumping up and down.

Ms. Dzerowicz, we're into a vote, so we can't take a point of order.

**Ms. Julie Dzerowicz:** No problem.

(Motion agreed to: yeas 6, nays 5)

**The Chair:** Okay, the motion is carried. We've got 14 minutes left.

**Ms. Debi Daviau:** Mr. Chair, I know it's totally inappropriate for me to enter into the debate, which is why I waited until now, but we've been sitting in front of our computers since 3:00 p.m. If we're going to continue, even for another 15 minutes, I'll require a health break.

**The Chair:** Okay. You take a health break, Ms. Daviau. That's fine. We'll see where the questions go.

Anybody who wants to take a health break, go ahead, and we'll go to questions.

Who wants to be the first one up?

We'll get time for one question each from the Conservatives, Liberals, Bloc and NDP. I'll figure that time out when I divide it down

there. Who wants to go for the Conservatives? Is it Mr. Kelly or Mr. Fast?

**Hon. Ed Fast:** I'm going to suggest Mr. Falk go on this one.

**The Chair:** Okay. How could I get it wrong?

Go ahead, Ted, and it will be about three minutes, I think.

**Mr. Ted Falk:** Thank you, Mr. Chair.

Senator, I'd like to ask you a question. In the Prime Minister's 2019 mandate letter to the Minister of National Revenue, the minister was instructed to "seek new ways to counter tax avoidance and evasion by wealthy individuals", "enhance our existing tax avoidance and evasion whistleblower programs", and "look for more opportunities to invest resources that help crack down on tax evaders".

When you look at the last five years, how would you describe the government's progress in these areas?

**Hon. Percy E. Downe:** Well, it's much more than five years. It goes back at least 20 or 25 years. We're just finding out about the leaks over the last number of years. These disclosures virtually didn't happen until recent years, and then the CRA had to adjust to that new reality, as did the government.

For example, with regard to the Liechtenstein list of disclosures of 106 Canadians who had accounts there, that leaker sold the list to the Government of Germany, and then the Government of Germany offered it to other countries that had citizens on the list, so the Government of Germany gave it to the Government of Canada.

The point I would make is the one I made in the opening remarks: Look at other countries and what they have done. I think the Australians were the first off the mark. They quickly recognized that once you start charging people and convicting people and see names of friends and neighbours going to jail, the appetite to invest and to hide money overseas drops dramatically.

It's that culture of resources and criminal activity that has been under the radar screen. It's been going on for a very long time.

**Mr. Ted Falk:** Thank you.

What would your recommendation be to correct that problem?

**Hon. Percy E. Downe:** There are a number of things that have been done. Originally I was part of the group that felt we needed more funding for CRA. The funding has been given over the last number of budgets. Granted, all of it hasn't been spent, but it's a significant influx of funding. We find that some of that has not gone towards overseas tax evasion, as the CRA said it was going to. I've come to the conclusion of late that we need supervision over the CRA and that it should come from the Department of Finance.

We saw in the recent budget that the Minister of Finance—on her own initiative, I understand—did the most significant advance on tax evasion, the beneficial ownership initiative, on which she indicates that over the next four years they've committed \$2.1 million to set it up. If this can be done sooner, it's even better.

As others have mentioned, we need co-operation of the provinces, but this is the most significant development to fight tax evasion in the years I've been looking at this file. We just need to have it completed and implemented.

• (1750)

**The Chair:** I'm sorry, Ted; we are going to have to end there.

Who wants to come forward from the Liberals? I don't have a list.

While they're thinking, Mr. Fragiskatos, did I see you?

Okay, we'll go to Mr. Ste-Marie and we'll come back to you.

I want somebody from the Liberals to give me their hand, because time's a-passing.

Go ahead, Mr. Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie:** My question is for Senator Downe, Ms. Watson, Ms. Daviau, Mr. Campbell and Mr. Cohen.

CBC/Radio-Canada published an article suggesting a potential connection between KPMG and the four sword companies in the Isle of Man, and KPMG is telling us that there is no connection.

Who do you think is right?

[English]

**Ms. Debi Daviau:** I'll start by saying I have no idea.

[Translation]

**Mr. Gabriel Ste-Marie:** Senator Downe, do you have an answer?

[English]

**Hon. Percy E. Downe:** I'm the same. I've only studied the CRA and what they have done, so I haven't followed this at all.

**Mr. James Cohen:** I'll say that I'm the same. I don't know enough of the details of the cases to know.

[Translation]

**Mr. Gabriel Ste-Marie:** Ms. Watson, what do you think?

[English]

**Ms. Janet Watson:** I would say that Mr. Cashore of *The Fifth Estate* has been working on this since 2016, and I think there are a lot of very important coincidences. There have also been tax experts on the show who said it was too much of a coincidence, so yes, I would say there is a link.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you.

Mr. Chair, I have no more questions.

[English]

**The Chair:** Okay. Thank you. We'll come back to Mr. Fragiskatos for three minutes, and then Mr. Julian will wrap it up.

**Mr. Peter Fragiskatos:** Again to Mr. Cohen, if I could, what would you say ought to be the absolute priority of the Canadian government to meaningfully address tax evasion? You have pointed

out that some significant steps have been taken in recent years, and also that the most recent budget provides a promising path forward.

If you're going to prioritize anything as far as recommendations go, and also based on the experience of what we've seen internationally with respect to democracies that you spoke about before, what are the key things?

**Mr. James Cohen:** Thank you for the question. I would say two things.

Not to repeat myself, but on the beneficial ownership registry, I'd agree with Senator Downe. If we can get it before 2025, that would be excellent. We're coming to halfway through 2021. There need to be discussions with the provinces and territories, so there is time required, but let's see if we can be optimistic and get it done more quickly and to the best standard possible, with ID verification and proactive investigations and a tip line.

The second point would be to echo our colleagues from the public service union and talk about reintegrating expertise into the right areas and looking at how the dissolution of specified units affected the capacity of the CRA to look at overseas tax avoidance. Without knowing the specifics of that case and CRA, I've definitely heard anecdotally from a number of investigators across Canada about the lack of specialized units in issues of corruption, and more specifically in money laundering. There's a trend to have a specialized unit and then dissipate it across other units, and then that expertise gets wound up in other cases as opposed to putting a priority on anti-money laundering, on tax evasion and on corruption.

I know we've been hearing a lot about complexity. People don't want to hear that as an excuse, but between mutual legal assistance with sometimes unco-operative jurisdictions and the sheer terabytes of data that are involved in some complex white-collar crime cases, these specialized units are required.

I recommend getting the beneficial ownership registry on track and doing it to the highest quality possible, and looking into the ability to reorganize the capacity of specialized units across authorities in Canada.

• (1755)

**Mr. Peter Fragiskatos:** It is unfortunate that cuts to the international focus did happen 10 years ago, as we heard before, under a previous government, but the past is the past. We have to focus on what is needed now, and the budget does provide a promising way forward, as we have heard.

Mr. Chair, do I have time remaining?

**The Chair:** You really don't.

**Mr. Peter Fragiskatos:** I didn't think I did. I was going to see how I could sneak a question in there, but no. That's fine.

**The Chair:** You have 20 seconds.

I would say, just for the information of everyone, that the beneficial ownership registry had all-party agreement, I believe in 2017, at this committee. When we did the money laundering study, it was recommended.

Peter, you have about three minutes. You'll wrap it up.

**Mr. Peter Julian:** Thank you very much, Mr. Chair.

I beg to correct you. The beneficial ownership registry was supported by the other two parties. The NDP pushed for a publicly accessible beneficial ownership registry, and as we can see from the report on snow washing, it was declined by the other parties, so I'm very glad to see that the idea of a publicly accessible beneficial ownership registry has now come back.

I want to come back to Ms. Iacovelli.

There are two directors for Parrhesia. Nigel Glazier Scott and Paul Joseph Valentine Dougherty were directors of Parrhesia, which was incorporated by KPMG and, as I mentioned, was summarily dissolved 43 days ago. They are the same directors for the "sword" companies.

Could you tell us if there's a connection between these two individuals, Nigel Glazier Scott and Paul Joseph Valentine Dougherty, and KPMG?

**Ms. Lucia Iacovelli:** With respect to the fact that they were the same directors, again it speaks to what the corporate service providers offer. They set up these corporations. They prepare documents and articles that they provide to shareholders. They also arrange for manager shareholders and directors, so I'm not surprised that they would be the same directors. Corporate service providers make all of those arrangements.

**Mr. Peter Julian:** Okay, what was—

**Ms. Lucia Iacovelli:** Mr. Julian, can I—

**Mr. Peter Julian:** I'm sorry. I have a follow-up question.

Who was the corporate service provider that set up Parrhesia?

**Ms. Lucia Iacovelli:** Again, I can't speak to Parrhesia. The corporate service provider that we worked with was Cordery.

Again, Mr. Julian, can I make a clarification on something?

**The Chair:** Go ahead, Ms. Iacovelli.

**Ms. Lucia Iacovelli:** Thank you.

I just want to clarify that we stopped offering the product in 2003. The last time we offered it was in 2003. We did not manage the structure after that time, so I don't have information as to when any of these companies were dissolved. I just want to make that point of clarification.

We have provided the CRA with all of the information on the 16 implementations we've done.

**Mr. Peter Julian:** We will certainly come back with other questions.

I wanted to save my last question for Ms. Daviau.

We certainly appreciate the professionalism of PIPSC. Your members are extraordinary.

You've raised a whole range of areas where we could approve providing supports to PIPSC so that they can actually do the work they want to do, but what we've seen from CRA employees is that they don't actually have legislation in place so that they're not out-gunned by these big players.

Would you also add legislation with teeth to the list of things that you've given us in terms of improvements that would mean that PIPSC members could do the work they want to do on behalf of Canadians?

**Ms. Debi Daviau:** Yes, 100%, Mr. Julian.

First of all, thank you for the compliment. I agree. I think my members are amazing. They're incredibly passionate about the jobs that they're being asked to do on behalf of Canadians, but they need some help. They need the government to take a look at gaps in legislation.

Those gaps are easily seen when we look the resulting court cases and where the CRA is losing as a result of those gaps. We've even offered to some of the MPs on this committee whom we've had the opportunity to meet with that we'd be happy to work with our auditors and decision-makers to try to identify or home in on where those gaps are.

At the end of the day, for us, the most important point raised by Mr. Cohen is that investments need to be made not in the number of resources, but in how those resources are structured and how those people are able to access the right tools and training to be able to do the job they're being asked to do.

• (1800)

**The Chair:** Okay. We will have to end it there.

I do want to very much thank witnesses for their presentations today and for spending the extra half an hour with us, which wasn't scheduled.

I will be back to committee as soon as possible on how we go forward from here.

With that, thanks to all of you.

The meeting is adjourned.





Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :  
<https://www.noscommunes.ca>