

## **CRA Recovered \$2b from Overseas Tax Evasion**

By Victoria Chang, Ming Pao Vancouver – December 8<sup>th</sup>, 2009

For the Internal Revenue Service of United States' decision to send 800 officers to Hong Kong next year to investigate tax evasion, Canada Revenue Agency (CRA) suggests that they haven't sent out any personnel overseas for this issue but they will take the initiative to investigate through a number of international co-operation plans. In the past three years, the Canada Revenue Agency reassessed a total of 3,854 possible tax evasion cases, recovering nearly \$2b of tax.

On November 8<sup>th</sup>, Bloomberg News pointed out that the United States would send up to 800 tax inspection officers next year to go to Hong Kong for tax inspection. A conservative estimate of as many as 250,000 Canadian citizens, holding a Canadian passport, returned to Hong Kong from Canada. After the announcement of the tax inspection from United States, Canadians back in mainland China, Hong Kong, and Taiwan are concerned about whether CRA will have a corresponding action.

CRA spokesperson Caitlin Workman said that, so far, CRA has no plan to send personnel to other countries or regions for tax inspection, including Hong Kong.

In addition, the CRA hasn't stationed abroad to investigate tax evasion.

However, Workman stressed that the CRA's job is to maintain the fairness of the Canada's tax system and protect those honest taxpayers. For overseas tax evasion investigation, they will continue to take the initiative and strategy of aggressive detection, focusing on how to recover the undeclared taxes overseas.

One of the CRA strategies is to inspect through organizations such as Organization for Economic Co-operation and Development (OECD), Joint International Tax Shelter Information Centre, Seven Country Tax Heaven Forum, and the countries which have signed tax agreements with Canada.

Workman said that for about three years, from the spring of 2005 to the end of March 2008, the CRA reassessed 3,854 tax cases, which influenced of a total up to \$1.929 billion tax revenue to the treasury, through the international audit and compliance programs. The annual average was nearly \$700 million.

However, she said the locations of tax evasion are not classified by CRA.

When asked whether Canada would cooperate with mainland China or Hong Kong to strengthen the control of tax evasion of returning immigrants, Workman said that Canada has been making efforts to cooperate with various countries to sign tax agreements, modify the contents of the

current agreements, or work in the administrative arrangements to enable its investigation work to be more smoothly.

Workman reiterated that the consequences of tax evasion can be severe. Once traced by CRA, the citizens not only have to repay the taxes, but they also may be fined, or even imprisoned for serious cases.

However, taxpayers will not be fined or prosecuted, although still have to return taxes and interests, if they disclose information they have not reported through the Voluntary Disclosures Program as long as before CRA started the investigations.

(Translated by Stella Guan)