April 12, 2014

Director General  
Marketplace Framework Policy Branch  
Industry Canada  
235 Queen Street, 10th Floor  
Ottawa, Ontario  
K1A 0H5

Dear Sir,

The Halifax Initiative welcomes the opportunity to participate in Industry Canada’s consultation on the Canadian Business Corporations Act. The Halifax Initiative is a coalition of twenty Canadian human rights, development, environmental, labour and faith-based organizations concerned about international economic justice issues. For many years, coalition members have been involved in debates related to corporate social responsibility, accountability and transparency.

The CBCA consultation is taking place during a period of intense international debate in the G-8, the G-20 and the Organization of Economic Cooperation and Development related to corporate social responsibility and accountability. We note the particular attention in these venues related to taxation as an integral element of the CSR framework, as well as the need to improve transparency of beneficial ownership and corporate accounting protocols. These issues have important implications for Canadian companies operating in different international jurisdictions.

We are pleased that the Government of Canada is acting upon the recommendation of the G-8 meeting in Ireland requiring Canadian extractive companies to disclose payments made to host governments. This is a major step forward in reducing corruption and money-laundering and places Canada in a leadership position internationally. However, the disclosure of payments should be applied not merely to the extractive sector but to all Canadian companies operating in international jurisdictions.

The OECD recently released an important report related to the taxation of multinational enterprises (MNEs). As the “Base Erosion and Profit-Shifting” report noted, MNEs have exploited outdated tax protocols to shift profits to low tax jurisdictions while maintaining costs in
high tax jurisdictions. These practices are resulting in serious harm to the integrity of national tax administrations and causing grave difficulties for developing countries which desperately need tax revenues to invest in essential public services and infrastructure. Indeed, the latest research suggests that the world’s poorest countries are losing up to $160 billion annually due to these problems.

We believe in the central principle that taxes need to be levied where actual economic activity and value creation are taking place. We are aware that many of Canada’s largest extractive companies as well as banking and financial institutions maintain a host of offshore subsidiaries and are very concerned that these can be employed to avoid taxation in source countries. For this reason, we believe that country-by-country reporting needs to be established as a core element of company reporting in their tax returns and annual reports. The reporting of sales, assets, number of employees, costs, profits and taxes paid in each jurisdiction would help reduce the problem of profit-shifting. We are encouraged that the OECD is currently undertaking consultations with respect to the development of a country-by-country reporting template.

We believe that the beneficial ownership and control of companies should be on the public record. Anonymous shell companies play a major role in laundering the proceeds of crime, terrorist finance, as well as tax evasion. Beneficial ownership information of companies should not only be accessible to law enforcement, tax administrations and other authorities, but be publicly available. This can be achieved through central registries of company beneficial ownership, updated annually. The misuse of financial instruments and of certain shareholding structures which impede transparency - bearer shares and nominee shareholders and directors - should be prohibited. These measures were recommended by the G-8 and are consistent with the standards of the Financial Action Task Force. We were delighted with the European Parliament’s vote last month in favour of the creation of public registries of beneficial ownership of companies and trusts.

We expect Canadian corporate entities to follow the highest standards of transparency and public accountability, both in Canada and internationally. We look forward to seeing the results of Industry Canada’s consultations.

Yours sincerely,

Shannon Kindornay
Chair, Coordinating Committee