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Canadian banks ordered to disclose Cayman dealings

The CRA suspects tax dodgers used RBC and Citibank to repatriate offshore assets held at Cayman National Bank.



Tax lawyer Joseph Markson wasn't surprised that the banks didn't oppose the government court applications because the CRA is targeting individual tax cheats, not the banks themselves. "The banks want to be seen as good corporate citizens," he said. (THE CANADIAN PRESS FILE PHOTO)

By **MARCO CHOWN OVED** Foreign Affairs Reporter
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A Federal Court judge has ordered two Canadian banks to disclose their dealings with a financial institution in the tax haven of Cayman Islands.

It's the second time the government has sought a court order to investigate offshore tax evasion since the Star, in collaboration with the International Consortium of Investigative Journalists, made the [Panama Papers](#) leak public in April. After years of weak enforcement, experts say the recent activity is evidence of a new-found will to crack down on the wealthy who hide their money offshore.

Royal Bank of Canada and Citibank, N.A. now have 120 days to hand over all transaction information for accounts held by Cayman National Bank Ltd. between 2009 and 2015.

The banks will have to provide the Canada Revenue Agency with account statements, deposit slips, cheques, bank drafts and wire transfer orders, all of which will help CRA auditors determine whether Canadian residents used these banks to transfer money home without reporting it.

Neither bank opposed the federal government's court application.

In May, [the CRA also sought a court order](#) for RBC's dealings with the law firm at the centre of the Panama Papers leak, Mossack Fonseca. RBC didn't oppose that request either.

"It's part of a resurgence in the investigation and prosecution of offshore tax evasion," said tax lawyer Joseph Markson. "In the present climate, following the Panama Papers and international efforts to end tax haven secrecy, resistance becomes futile."

Markson wasn't surprised that the banks didn't oppose the government court applications because the CRA is targeting individual tax cheats, not the banks themselves.

"The banks want to be seen as good corporate citizens," he said.

In an affidavit filed with the Federal Court, CRA auditor David Letkeman described how the CRA was tipped off about the Cayman tax dodge by a Canadian woman who voluntarily came forward to disclose her hidden offshore assets.

Documents showed how the woman transferred money from the Cayman Islands, through Cayman National Bank's account at a Canadian branch of Citibank, N.A., to a Canadian bank account in her name.

She was ordered to pay a total of more than \$1.2 million plus interest for unreported capital gains related to offshore property. Because she came forward through the CRA's voluntary disclosure program, the woman did not have to pay penalties and avoided criminal prosecution.

While the CRA has no evidence that other Canadians have used the same methods, the court order will allow it to investigate.

"This is symptomatic of a broader worldwide effort. The Canadian government is catching up, looking to expose and deter tax evasion through offshore accounts," said Markson.

While there were few prosecutions of offshore tax cheats under the previous Conservative government, in its first budget last spring the Liberal government announced \$444 million over five years to [beef up the CRA's investigation of offshore tax cheats](#). It expects to recuperate \$2.6 billion in taxes.

"Times are changing" said Markson.

Tax havens used to enforce absolute bank secrecy and tax cheats were able to sleep easy, he said, "but that's all been blown apart in the last 10 years through a series of leaks."

"There's now pressure on countries around the world to prohibit secret accounts."

When this news reaches those who used the Cayman Bank, Markson said tax lawyers' phones will start ringing.

"Count on it," he said. "There will be a lot of conversations between clients and lawyers trying to figure out what to do."

With files from Star wire services

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