On November 19, 2018, the Department of Finance received your access to information request for the following:

"The briefing note titled Beneficial Ownership and Federal Underground Economy Projects, June 10, 2017. The existence of this briefing note was referenced in the response to request FIN-66-2017."

The Department of Finance is pleased to inform you that your request for the above information has been granted in full and is attached.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John’s, NL A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500
You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that this response will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the response posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett, CIAPP-C
ATIPP Coordinator

Attachment
Information Note  
Department of Finance

Title: Beneficial Ownership and Federal Underground Economy Projects

Issue: To provide background information on Beneficial Ownership and four underground economy projects headed up by the federal government.

Background and Current Status:

Beneficial Ownership (FPT Working Group on Tax Evasion and Avoidance)

History and Overview –

• At the spring 2016 Finance Ministers’ meeting, the federal Minister noted that he made a commitment to his G-7 and G-20 counterparts that he would discuss the issue of beneficial ownership transparency with provinces and territories and that there needs to be collaboration to ensure those who should pay taxes do so.

• At the June 6-7, 2016 Tax Committee meeting, it was agreed to establish a Federal-Provincial Territorial Working Group on Tax Evasion and Avoidance and that beneficial ownership would be the first issue to be addressed by the new working group. Strengthening the collection of beneficial ownership information through both tax authorities and/or the laws governing corporations and other legal entities requires collaboration and discussions on potential actions at both levels of government.

• The 2017 federal Budget announced a proposal to collaborate with the provinces and territories to put in place a national strategy to strengthen the transparency of legal persons and legal arrangements and improve the availability of beneficial ownership information. In order to support the development of this national strategy, Innovation, Science and Economic Development Canada (ISED) will be assuming a leadership role for the FPT Working Group. The Tax and Fiscal Analysis Division of the provincial Department of Finance is an active participant.

Summary of June 6, 2017 Conference Call –

• The working group was created to look at tax evasion and avoidance, however the focus of the group has shifted more to transparency of beneficial ownership. Comments were made by some provinces during the call that while work performed by the Working Group relating to beneficial ownership is important it should not replace or limit any work on tax avoidance and tax evasion which the Working Group is mandated to carry out. The federal government noted that this will be reflected in the Terms of Reference of the Working Group, including possibly an adjustment to the working group’s name.

• During the call it was noted that corporate ownership is a shared federal/provincial responsibility, although some provinces or territories do not require beneficial ownership information to be reported.

• There was a discussion regarding a Beneficial Ownership questionnaire which the federal government provided to provinces a number of months ago to facilitate an understanding of the corporate law landscape and requirements across Canadian jurisdictions. It was noted that the general overview of responses received thus far is that the manner in which
shareholder information is communicated to governments varies significantly and the verification of the information also varies significantly. The information is not passed on to a central repository.

- There was general discussion on issues related to using corporate registries to obtain beneficial ownership information. The group will look at international benchmarking but with the caution that we should not be quick to adopt the approach of others as it may not fit what is needed in Canada. There was discussion on whether we should try to identify the minimum state desired. A comment was made that all jurisdictions will need legislative and system changes which may come at a substantial cost, and will also take significant time to implement.

- There was also discussion on whether there would be public consultations, and if so what we would need to consult on, and what information we could potentially be collecting.

- Status:
  - On June 9, 2017, the federal government emailed the provinces identifying the following next steps for the group:
    1. Provinces and territories to provide input into the questionnaire circulated by Finance Canada in November 2016, if they have not already done so (Newfoundland and Labrador’s has already been submitted);
    2. Provinces and territories to assist with the identification of issues to be considered as part of the policy development process on increased beneficial ownership transparency taking into account the specific legal and operational requirements they operate under;
    3. An interested group of Working Group members to work on options to improve Canada’s compliance with OECD/G20 standards on corporate beneficial ownership transparency (e.g., minimalist approach vs meeting and exceeding all OECD/G20 requirements); and
    4. ISED/Finance Canada to identify relevant international benchmarks.

Federal-Provincial-Territorial Underground Economy Working Group (FPTUEWG)

- The mandate of this project is to provide a forum for the federal, provincial, and territorial tax organizations for research information sharing and identifying opportunities for collaborative underground economy research to contribute to further refining our understanding of the underground economy.

- FPTUEWG is led by two co-chairs: a CRA official within the CRA Research Network, and a provincial or territorial official. The co-chairs are designated for a two-year period by members of the FPTUEWG. The members of the FPTUEWG include CRA officials from within the CRA Research Network, and representatives from participating provinces and territories. The Tax and Fiscal Analysis Division of the provincial Department of Finance is an active participant in this group.

- There are regular teleconferences of the FPTUEWG to share information and best practices with other provinces, territories and jurisdictions, examine new collaborative research opportunities, and provide learning opportunities for the FPTUEWG members. One in-person meeting annually is contemplated, subject to the status of any ongoing collaborative research work, and any budgetary restrictions.
• Status:
  - The most recent conference call was April 28, 2017 wherein three provinces provided some information on the types of things they are doing in relation to the underground economy.

**UE Marketing and Communications Strategy**

• This strategy is headed up by the Domestic Compliance Programs Branch of the Small and Medium Enterprises Directorate of the Canada Revenue Agency (CRA). That branch is involved in promoting and executing marketing and communications strategies to reduce the social acceptability of, and participation in, the underground economy.

• The group informs that the intent is that with the provinces’ help in sharing these communications products, a conversation can be created on social media, and each other’s efforts can be strengthened by retweeting/sharing in a coordinated way. Shareable products are being updated regularly and CRA invites provinces to identify any of their own products that CRA could add to the page. The group has been regularly providing social media calendar updates, and other related communications, to the Provinces for them to consider utilizing and sharing.

• Status:
  - The Underground Economy Initiative, which is led by the provincial Department of Finance, likely will be considering how best to utilize and take advantage of CRA’s communications and education platforms regarding the underground economy.

**Expanded use of Non-Traditional Tools**

• The Multilateral Committee is a provincial-territorial-CRA committee which provides for the sharing of ideas and matters pertaining to CRA’s role as administrator of provincial tax programs. At the February 23, 2016 conference call of this group there was a discussion item on exploring non-traditional tools to combat the UE and non-compliance.

• Some items that have been identified for consideration include:
  - Identifying possible provincial programs with a licensing or regulatory aspect that could be leveraged to improve tax compliance;
  - Assessing whether any legislative or policy changes are required; and
  - Education/awareness for affected taxpayers.

• Status:
  - The Tax and Fiscal Analysis Division of the provincial Department of Finance is ready to participate in the work of this group when there is opportunity for involvement.

**Analysis:**

• There are many different activities that can be taken to help address the underground economy, from researching the problem to the implementation of mitigating strategies. The full breadth of the various federal-led initiatives that are currently underway, in conjunction with the Underground Economy Initiative which is led by the provincial Department of Finance, should inform and guide the development of government policy and strategy on this matter.
Action Being Taken:
• The Department of Finance will continue working with the federal government, and other stakeholders, on a number of important underground economy initiatives.

Prepared/Approved by: W. Norman / J. Griffin / C. Martin
Ministerial Approval: Received from Hon. [Minister’s Name]

June 10, 2017