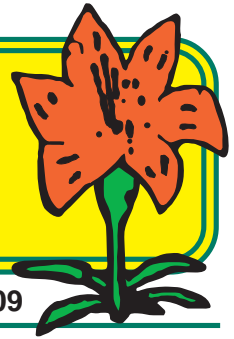


Seniors' Voice



Volume 17: No. 4

November / December 2009

Eternal Vigilance is the price of Liberty. Power is ever stealing from the many to the few.

Harper government is still failing to crack down on tax havens.

A study from the University of Quebec disclosed that, between 1993 and 2003, the Big Five Canadian banks used their offshore affiliates to avoid paying \$16 billion in Canadian taxes.

A corporation that has operations in many countries can also choose to put its headquarters in any one of them. The profit imperative would seem to dictate that the natural choice would be a low-tax nation, but in practice most of the world's largest **TLCs (transnational corporations)** choose to locate their head offices in industrialized countries with relatively higher levels of corporate tax. There are several reasons for this, but the one most closely related to a firm's bottom line is the privilege of being listed on a major stock exchange.

Because of the risks inherent in the stock market, investors don't always buy the stocks that offer the highest yields. But countries with reputable stock exchanges can allay investors' risk aversion and facilitate a level of equity investment that is attractive enough to encourage TLCs to accept higher rates of corporate tax than they otherwise would. **Governments accomplish this by demanding openness from their publicly traded companies and enforcing it with disclosure laws and regulations.**

Today, because the world is reeling from a deep recession and stock markets are precarious, many publically traded companies – even the squeaky clean ones – are failing because they

were rife with toxic assets and buried liabilities that were stowed away in subsidiaries that were invisible to investors.

For example, Citigroup, the teetering bank that received \$45 billion in U.S. government bailout money, reportedly had 427 subsidiaries in tax haven countries. Much of the securitized debt, whose collapse was a main cause of the current crisis, is housed in tax havens. Of all the U.S. dollar-originated mortgage-backed securities held abroad, almost 40% are held in only four tax havens. Over 20% of them are in the Cayman Islands alone.

Canadian companies are just as entangled in this global financial web as are those in the U.S. and elsewhere. Canadian firms have over 1,200 affiliates in tax haven regions. As of 2007, these included the Thomson and Shaw media groups, Canadian Tire, Husky Energy, BCE, and the Canadian Imperial Bank of Commerce.

Assessing an accurate value for the potential loss in tax revenue is difficult, but a study from the University of Quebec in Montreal disclosed that, between 1993 and 2003, the Big Five Canadian banks used their offshore affiliates to avoid paying \$16 billion in Canadian taxes.

“The price that good people pay, for their indifference to public affairs, is to be ruled by evil men.” — Plato

In her 2002 report, Auditor-General Sheila Fraser expressed concern that these arrangements for foreign branches of Canadian corporations were eroding Canadian tax revenues. She chided the Department of Finance for doing nothing to close these loopholes. **This inaction, verging on indifference, continues today, with the Harper Conservatives showing no interest in plugging the drain of corporate tax revenue to tax havens.**

Other countries have become more noticeably concerned about the problem. At the G-20 summit last April in London, the world's largest Countries, led by Germany and France, fought to put tax haven abuse on the agenda. In the lead-up to this summit, **Harper and his minister of finance, Jim Flaherty, were stubbornly opposed to any kind of international oversight**, preferring instead to keep regulation at the national level and depending on the International Monetary Fund (IMF) to monitor and grade each country on its own performance.

By the end of the summit, however, Harper and Flaherty - reluctantly or not - had reversed their position, at least on paper. They signed the final communiqué that was supported by all the attending nations, pledging "to take action against non-cooperative jurisdictions, including tax havens. **"We stand ready," the communiqué vowed, "to deploy sanctions to protect our public finances and financial system."**

Advocates for tax fairness may accept this declaration as at least a step in the right direction, but they should remain vigilant. Such pledges, taken on the world stage, sometimes turn out to be no more than symbolic gestures if not followed with the strong political will needed for actual implementation and enforcement. **Ultimately, the success of any such initiative comes down to the resolve (or lack of it) by the individual states. In the three months since the summit, the Harper government has shown no real desire to tackle the problem of tax-haven abuse.**

It should be remembered that Flaherty, back in his 2007 budget, introduced an "anti-tax-haven" initiative as a component of his "tax fairness" plan. It was laden with strong language promising quick and effective government action, particularly to close the "**double-dipping**" loophole. **Double-dipping occurs when a Canadian bank lends money to a Canadian company, which then transfers the money to a friendly financial institution, which in turn loans it to a foreign subsidiary of the original Canadian Company.**

That this double-dipping loophole was ever considered legal is shocking. Even more shocking is that, instead of closing it as he promised in his 2007 budget, Flaherty later backed down and decided to retract the anti-double-dipping measure in his 2009 budget.

This was done on the recommendation of the government's hand-picked Advisory Panel on Canada's System of International Taxation in its December 2008 report. The panel cited fears of hurting Canada's competitiveness and claimed that its "pragmatism" was more compelling than any "theoretical" benefits from making the fraudulent double-dipping practice illegal.

Given the devastating fallout from the global financial crisis, it is appalling that any government advisors could consider the benefits of closing such a tax loophole "theoretical" – **especially when Canada's corporate tax rate is on pace to become the lowest in the G-7.**

Shady and unscrupulous financial institutions and tax-evading corporations for decades with government tolerance, if not connivance. They will never change into fair and full taxpayers voluntarily.

The governments of other countries are belatedly taking some corrective measures. U.S. President Barack Obama, for example, has proposed a **Stop Tax Haven Abuse Act**, and the Internal Revenue Service (IRS) recently filed

charges against the big UBS Bank in Switzerland for helping rich Americans evade an estimated \$20 billion in taxes by transferring their money to offshore tax havens. The same Swiss bank is reported to have assisted wealthy Canadians to funnel as much as \$5.6 billion offshore to evade taxes here. **Unlike the IRS in the U.S., however, the Canada Revenue Agency has shown no sign of taking similar legal action against the Swiss bank.**

The Harper government, in effect, has washed its hands of the tax haven issue at a time decisive action is most needed to assure tax justice – and to keep its crisis-required deficit from ballooning higher than it other wise will. ■

(For Liberal Party policies regarding Tax Havens, see page 7 - “Lest we Forget”)

Seniors’ Voice

**Published by Senior Power
of Regina Inc.**

The Editorial Board is:

Rev. Bob Gay, Wally Coates, Verda Petry
Yvonne Mitchell, Bob Brownridge

Our address is:

**116 Chisholm Road
Regina, Sask. S4S 5P1
Ph: (306) 536-0756
Fax 586-8088**

Email: wcoates@accesscomm.ca

Senior’s Voice Website:

**[http://nonprofits.accesscomm.ca/
srvoice/index.html](http://nonprofits.accesscomm.ca/srvoice/index.html) >**

**Annual subscription (8 issues) \$10.00
Donations and bequests welcome.**

United progressive movement needed to challenge corporate Power — *By Donald Gutstein*

Progressives in Canada and the United States are reclaiming their grassroots fund-raising heritage, but there’s a lot of catching up to do: in fund-raising, in organizing, and in creating the necessary broad vision.

Canadian progressives could do worse than listen to Dick Martin, a popular Canadian labour leader who died in 2001.

Martin started his career as a nickel miner, working under appalling conditions for Inco in Thompson, Manitoba. Martin rose through the ranks of the United Steelworkers Union and became head of his local, president of the Manitoba Federation of Labour, and eventually was elected secretary-treasurer of the 2.5-million-member Canadian Labour Congress (CLC), the second highest position in Canadian labour.

Having seen his fellow workers, killed on the job too often, Martin’s priority was worker health and safety. His efforts resulted in the first union-run occupational health clinic in the country. Reducing the effects of pollution was part of the job. Pollution poisoned workers and communities. Martin came to believe that unions had to work with environmental groups to protect the environment.

Martin was a realist. From his position in organized labour he could see that corporate executives, the members of the Canadian Council of Chief Executives (then known as the Business Council on National issues) “have learned about collective action... They have learned to speak with one voice and to back up their demands with corporate action.”

For Dick Martin, the situation was “environmental anarchy,” when what was needed was “one big environmental union movement.” Martin could have been calling for one big progressive movement: “bringing organization where much chaos exists, and real political punch where fly-swatting exists”.

It’s not a blue print on a grand scale, but it’s a start.” ■

AN OPEN LETTER TO PRESIDENT OBAMA: Canadian Health Coalition castigates efforts in the U.S. to smear and misrepresent Canada's Medicare system

Barack Obama
President of the United States of America
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

As the national voice for Canada who want to protect and expand our national public health care system, **the Canadian Health Coalition** would like to encourage your efforts to make health care available and affordable for all Americans.

Canada's national Medicare system is one that all Canadians value and depend on for quality care. Our goal as an organization is to ensure that this excellent system is expanded and protected for the benefit of all Canadians.

We are therefore distressed by a television ad currently running in the United States that is sponsored by the Conservatives for Patients' Rights (CPR) and featuring the former president of the Canadian Medical Association, Dr. Brian Day. In this ad, Dr. Day purports to represent Canadians and Canadian physicians in criticizing our public health care system.

Mr. President, we urge you to listen to Canadians, and not to Dr. Day and those who want to introduce more private, for profit health services into Canada and the United States.

Dr. Day, whose private surgical clinic in British Columbia is currently under investigation by the B.C. Government for illegal billing, does not represent the values of Canadians. As you know, Rick Scott, the sponsor of the CPR ads, is the discredited owner of the Columbia/HCA, one of the largest private health care companies in the world. In 1997, his board of directors removed him from office during the largest health care fraud scandal in the United States.

The company was forced to pay \$1.7 billion in fines for over billing state and federal government health plans.

Dr. Day and Rick Scott should not be allowed to speak for people who need and deserve quality health care.

Mr. President, we know that you are deeply concerned about the 46 million Americans who have no medical coverage. We're proud to say that Canada covers every Canadian Citizen. Canadians live three years longer than Americans, and our infant mortality rate is 20% lower. Canada spends 10% of its GDP on health care, compared to 15.3% in the United States, yet we generally get more services. Economically, Canada's public health system dramatically reduces costs for business, particularly the hard-hit manufacturing sectors, because of higher prices and administrative costs in the primarily private U.S. system.

Canadians recognize our system can always be improved, but they overwhelmingly want public sector improvements, **not for-profit private companies taking our scarce health care dollars**. Our two countries need to stand together to strengthen public health care across the border and to protect the right to public health care from financially motivated doctors and insurance companies.

It remains shocking to us that Dr. Day, a past president of the CMA, is participating in a campaign to de-rail the efforts of the American people to secure their right to health care by

misrepresenting the facts about Canada. This is a breach of fundamental ethical obligations of the medical profession, namely, a commitment to best evidence and avoidance of conflict of interest.

Canadians and Americans both need more public health care, not less. Private markets and commercial competition will make things worse, not better.

As Dr. Arnold Relman, Professor Emeritus at the Harvard Medical School, testified before the Senate of Canada:

“The U.S. experience has shown that private markets and commercial competition have made things worse, not better, for our health care system. That could have been predicted, because health care is clearly a public concern and a personal right of all citizens. By its very nature, it is fundamentally different from most other goods and services distributed in commercial markets. Markets are simply not designed to deal effectively with the delivery of medical care – which is a social function that needs to be addressed in the public sector.

“Many of us south of the border have always believed that you Canadians had the right idea in deciding that the financing of health care is primarily a public responsibility. We still think you are right and that we ought to emulate you, rather than vice versa.”

We wish you every success in your efforts to reform America’s health care system for the benefit of all your citizens. If we can at any time share with you or your team the benefits of our excellent system, we would be happy to do so.

Yours sincerely

Michael McBane

National Coordinator

Canadian Health Coalition

Ottawa, Canada ■

Public perception of unions is misguided — *By Larry Hubich*

Gary Engler, vice-president of CEP local 2000, recently blew the lid off the situation at Canwest Global media conglomerate. The Corporation is filing for court protection against creditors.

What he revealed at rabble.ca is a startling picture of corporate greed.

Workers at Canwest are being ‘restructured’, meaning laid off, with no severance pay, as previously promised. Eighty retirees will lose medical, dental and life insurance benefits. One hundred and twenty retirees face reduced pensions. Stock has plummeted from \$20 a few years ago to about \$0.25 per share. Shareholders will be getting just a few cents on the dollar.

But what about the three directors, four top executives and 13 other senior managers at Canwest? They’re walking away with over \$9.8 million in bonuses, and retirement benefits for life. Yes, bonuses, on top of already exorbitant salaries.

Canada’s legal system allows for this to happen.

So what does this have to do with unions? Well, we’ve all heard the accusations that unions are greedy, either in the media or from people in our lives. Unions have even been blamed for the recent economic meltdown.

The reality is something totally different. The people who run the major corporations, the executives, and their friends in government who make the rules, are those ultimately responsible for the meltdown. They wanted to get richer, and they did.

Unions advocate for those without much power or wealth. And we believe workers deserve a share in the wealth that they helped to create. Every time union members receive a raise, they pay more taxes, and they spend their money locally, supporting Saskatchewan’s economy.

Unions push for fair laws, for public services like rural post offices, and for industry regulations to keep products and services safe.

Let’s respond to these false-hoods. The answer is found in our trade union principles. “An Injury to One is an Injury to All.” Be proud to be union. In solidarity, *Larry Hubich*. ■

BRAINWASHING A POPULATION

Truth about Medicare buried under lies and rumours in U.S. — *By Ed Finn*

After more than sixty years working as a journalist, including stints with The Montreal Gazette and The Toronto Star, I should no longer be surprised by the ability of the mainstream media, on behalf of the corporate and financial elites, to mould and manipulate public opinion to their advantage. But I continue to be shocked by how easily people who are deliberately misinformed can be rallied to support policies that could hurt them, and oppose those that would help them.

Donald Gutstein, a specialist in communications at Simon Fraser University, writes on “how business propaganda hijacks democracy,” and offers several well-documented examples of how the brainwashing was carried out here in Canada and the United States.

The most recent case in point – which erupted after Gutstein’s book went to press – is the widespread opposition to Barack Obama’s planned health care reforms that was whipped up in the United States over the last few months. Not surprisingly, the most vitriolic protests came from the least educated and those most easily duped Americans, who, ironically, were the most desperately in need of better health care. Getting these misinformed people to jump on the anti-public-health-care-bandwagon was child’s play for the big business spinmasters.

Fostering and capitalizing on public ignorance was on full display in Canada too, late last fall. The Liberals and New Democratic party, supported by the Bloc Quebecois, proposed to form a coalition government after toppling the recently elected Conservatives, thus avoiding another quick election. This would be a standard and acceptable political move in many other countries with multiple parties, where coalition governments are more the norm than the

exception. But in Canada the notion was stridently denounced, ridiculed, and branded as flagrantly undemocratic. If the opposition parties wanted to govern, they were told, they could only do so by precipitating another election. (The Governor-General, to her discredit, bought into this fallacy and gave Steven Harper his requested prorogation and time to regroup while the media finished their hatchet job on the abortive coalition effort.)

So unjustifiably was the coalition option discredited – by the media more than anyone else – that it was not being considered this fall as a reasonable alternative to forcing another election. How many elections will it take before Canadians voters come to understand that coalitions can work and provide good and stable government? Not soon apparently, if our major print and broadcast media can help it.

The demonization of Obama’s health bill – and of Obama himself – was carried out shamelessly in the U.S. by right-wing pundits, preachers, and media outlets led by Fox News. The redneck posters they mobilized at town-hall meetings were fed and regurgitated outright lies about the proposed health care reforms. “Obama is Hitler” they yelled. “His bill is Nazism!” “He wants to set up death panels to decide if the sick should be euthanized!”

This colossal smear campaign was well financed and managed, with the big pharmaceutical, insurance, and private health care companies providing both funds and the lies.

As I was writing this, in mid-September, the outcome was uncertain. It seemed that Obama had enough support in Congress to get some kind of reforms adopted, but very unlikely that the U.S. health care system would be changed into anything remotely resembling Canada’s public

and universally acceptable system. The forces opposing such a transformation are simply too powerful.

The virulent anti-Medicare campaign in the U.S. this year brought back memories of a similar well-organized effort to block the introduction of Canada's first public health care plan in Saskatchewan in 1962. As someone who witnessed the bitter opposition to Medicare by the medical, business and media forces at that time (and helped in countering it), I saw firsthand how outrageous lies and rumours could obscure the truth and fuel baseless fear and anger. The protestors burned effigies of Tommy Douglas and, as with Obama today, compare him with Hitler or Stalin.

Their campaign fizzled, partly because of their wild and hysterical behaviour and smear tactics, partly because most citizens of Saskatchewan in 1962 were not as susceptible to right-wing propaganda as so many Americans seem to be in 2009. The opponents of Medicare 47 years ago in Saskatchewan – mainly the Canadian Medical Association – were also not nearly as well financed as their present-day counterparts in the U.S., and lacked the modern communications technologies. I wonder sometimes, if we didn't have this precious legacy from Tommy Douglas, whether a belated attempt to bring public health care to Canadians today would be any more successful than Obama's current initiative in the U.S. Given the bigger and slicker propaganda tools at the disposal of right-wing opponents of progressive reform these days, the struggle would be far more difficult than it was in 1962. ■

Most CCPA members are well aware of the commercial media's failure to inform readers and listeners fairly, fully, and objectively. Donald Gutstein's book, will make many other Canadians aware of "how business propaganda hijacks democracy."

Lest we Forget

We have nothing against wealth or against the wealthy. **But there is a limit to being the laughing stock of the world, when our taxpayers have to compensate for the inaction of the Minister of Finance in the area of tax reform.**

Not only does Canada retain the tax conventions, **but we encourage Canadian investors to use these tax havens.** On July 16, 1999, for example, the **Canadian Department of Foreign Affairs and International Trade** published their calendar of special events for 1999–2000. Included was the title of a conference, a seminar given by the **Department of Foreign Affairs and International Trade, "Demystifying Tax Havens."** The topics covered in this seminar, **organized by the federal government,** with the apparent knowledge and approval of **Finance Minister Paul Martin,** included **the origin of tax havens and their use as a financial strategy. They encouraged the use of tax havens to avoid federal tax.** They also discussed the criteria for selecting a good tax haven. **Not only was the use of tax havens being promoted, but they also said, "Listen, the best one is probably in the Bahamas. There is no corporate tax. You can do whatever you want. There are no labour laws and no environmental laws to speak of. Use the best tax haven."** This was the message that was conveyed.

The fourth theme of the conference was, **"Tax havens and Canada's tax laws and how to get the most out of your tax haven." UNBELIEVABLE!!!**

One day we will have to wake up. The members of parliament will have to wake up and break their complicit silence, put on the brakes and say, **"This is Enough!"** ■

Thought for the Day

If all that a man was to use his head for, was to wear a hat, he would have been born with a hook. *From Father's Scrapbook*

It is better to Give...

Many seniors, particularly single seniors, widows and widowers, make provision for a gift to charity at the time of their death. A gift to a registered charity will result in a federal tax credit of about 29% of the value of the gift, plus provincial tax credits. We don't give to our church, the Cancer Society, disaster relief, etc. just to get a tax advantage, but it is important to understand how these gifts can reduce taxes – and increase the amount of the estate available for other heirs.

If you make a gift of cash to a registered charity through your will, the charity will give your estate a charitable receipt for the amount donated. Your executor can then claim the gift on your final tax return and get a refund of taxes otherwise owing through the use of the Donations Tax Credit. This will likely result in a tax refund of nearly one-half of the amount donated: a \$10,000 gift will probably result in about a \$4,500 tax refund.

Should you leave assets other than cash to charity (stocks, bonds, real estate, etc.) the amount of the gift will be the fair market value of the asset at the time it is transferred to the charity. So, a gift of a \$50,000 piece of property to your church would result in your estate receiving a \$50,000 charitable donations receipt. (But remember, the gift is a "disposition" of the property for tax purposes and may result in the reporting of capital gains on your tax return.) Gifts of stocks listed on a Canadian stock exchange carry the added benefit of a reduction in the taxes otherwise payable on any capital gain on the stock. Only 25% of the capital gain (instead of the usual 50%) needs to be added to your income for the year of the gift.

You can gift the proceeds of your RRSP or RRIF directly to a charity by naming the charity as beneficiary of the plan. The funds go directly to the charity, bypassing probate fees and

administrative delays in your estate, and still generate a tax receipt for your estate. The tax credit generated by the gift should more than offset the corresponding tax bill on your final tax return arising from the disposition of the RRSP or RRIF.

Similarly, life insurance proceeds can be paid directly to a charity, or they can go through your estate: your choice. Either way your estate will receive a tax receipt from the charity equal to the full value of the insurance death benefit: a \$100,000 policy will result in a \$100,000 tax receipt, for example. Again, this receipt can be used to claim the Donations Tax Credit.

Consult with your tax advisor to ensure that your favourite charity, your estate and your heirs all get the maximum value for your charitable dollars.

This article is for informational purposes only and is not intended to promote a specific product, nor is it intended to provide financial, legal, accounting or tax advice.

Submitted compliments of Donna St. Onge, Certified Senior Advisor, Conexus Credit Union, 780-1584. ■

