Cash In Panama — A Ticking Time Bomb

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In recent years, the Canada Revenue Agency (the “CRA”) has increased its efforts to locate Canadian offshore funds; the release of the Panama Papers marks a watershed development in this process. The Panama Papers leak released more than 11 million documents from the law firm Mossack Fonseca, detailing over 200,000 offshore companies that Mossack Fonseca set up.

The impact of the Panama Papers has been significant. On Friday July 15, 2016, it was made public that Panama signed the *OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters* (the "Convention"). The Convention is the most comprehensive multilateral instrument to date, designed to tackle tax evasion and avoidance. By signing the Convention, Panama joins a network of almost 100 nations that could share information with each other, including information about bank account holdings. While the previous tax agreement between Panama and Canada allowed either party to request information, the Convention facilitates automatic information exchange between Panama and Canada. At the same time, the CRA continues to use the documents from the Panama Papers to audit resident Canadians who are suspected of not reporting their income.

In Canada, taxpayers are taxed on their worldwide income. Therefore, if a Canadian taxpayer is found to have an account outside of Canada that has generated unreported income, the taxpayer could be liable for interest, penalties, taxes owing and even prosecution for tax evasion. Overall, at least 625 Canadians are named in the Panama Papers and the CRA has already launched 45 investigations.

BLG has developed expertise in handling applications under the Voluntary Disclosures Program, which allows Canadians to minimize or even eliminate the possibility of penalties, interest and prosecution by the CRA. Crucially, disclosure must be voluntary, and, therefore, must occur before the CRA conducts an investigation. Given the increasing exchange of tax information between nations, we invite any Canadian taxpayer to consult with our tax lawyers to assess their personal situations.

Natasha Miklaucic and Alex Klyguine are tax lawyers and combined have more than 20 years of experience helping taxpayers take advantage of the CRA's Voluntary Disclosures Program. Natasha and Alex would be pleased to have a call or meet with you for a free consultation to discuss whether the voluntary disclosure process is right for you.

By

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