

**IRS/CRA Crackdown on UBS and Tax Evasion:  
Only a Minor Impact on the Economy or on the Tax Evasion  
Possibilities for the Rich**

**BDO Dunwoody Weekly CEO/Business Leader Poll  
By COMPAS in *Canadian Business*  
For Publication August 31, 2009**



**COMPAS Inc.  
Public Opinion and Customer Research  
August 31, 2009**

## 1.0 Overview

CEOs and business leaders on the COMPAS business panel were asked about the impacts of the unprecedented willingness of giant Swiss bank UBS to reveal the names of U.S. tax evaders holding accounts at the bank.

Panelists believe that

- There will always be tax havens for tax evaders somewhere on the planet;
- The crackdown on tax evaders will have no impact on the truly rich, who will avoid taxes legally by relocating to low tax regimes or living on yachts in international waters;
- Recovery of lost U.S. tax revenue is unlikely to have a palpable impact on the U.S. deficit; and
- The crackdown will nonetheless increase slightly pressure on governments to keep tax rates from growing.

Only a very small proportion of panelists report knowing people who use overseas tax havens or structure their multinational enterprise to concentrate revenue at locations with low tax regimes. Nonetheless, a percentage as low as 3-4% may correspond to many millions of dollars in lost revenue.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.



## 2.0 The Raw Findings

*Table 2a: Agreement with Various Opinions on the Situation<sup>1</sup>*

	Mean	7	6	5	4	3	2	1	DNK
There will always be tax havens for tax evaders somewhere on the planet.	5.8	38	20	30	8	1	2	1	1
The crackdown on tax evaders will have no impact on the truly rich, who will avoid taxes legally by relocating to low tax regimes or living on yachts in international waters.	4.9	21	19	22	12	13	8	3	3
As governments clamp down on tax evasion opportunities, the result will be increased pressure on governments to keep tax rates from growing.	4.6	18	16	18	17	6	12	7	5
Recovery of lost U.S. tax revenue will have a meaningful impact on the U.S. deficit.	2.9	4	4	11	9	21	23	26	2

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<sup>1</sup> (Q1) The giant Swiss bank UBS admitted in February to participating “in a scheme to defraud the U.S.” and agreed to pay \$780 million and disclose the names of people holding 4450 accounts who allegedly hid assets from the Internal Revenue Service. In Canada, 7 individuals who used Swiss banks to evade tax reportedly turned themselves into the Canadian Revenue Agency. On a 7 point agreement scale where 1 means disagree strongly and 7, agree strongly, please score your agreement with the following opinions.



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*Table 2b: Knowing Someone Who Has Followed Various Tax Evasion Practices<sup>2</sup>*

	%
Does cash transactions to minimize taxes.	37
Does barter transactions to minimize taxes.	14
Uses an overseas tax haven to evade Canadian or American taxes.	4
Operating a multinational company that uses artificial pricing in transactions between high tax and low tax regimes to minimize taxes.	3

The following verbatims provide a nuanced sense of panel opinion:

Taxes will always be cheated on; it has been so since taxes were invented. Then again governments routinely lie to their subjects; remember the income tax in Canada was a temporary measure to pay for the war (WW1) and the Ontario harmonized sales tax is a benefit to business.

Render unto Caesar that which is Caesar's. In other words it's not my money just because I possess it, but it is the government's money and they get to set the rules.

If you pay tax you apparently made money, the challenge becomes how much tax. Taxation is based on the perception of ability to pay, there is something fundamentally flawed with assessing more tax to those who earn more. The system destroys ambition to succeed. I wish my business had the same captive customer base. Taxation has just become more civilized than the days gone by, I have some comfort that the King's henchmen are not coming to my

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<sup>2</sup> (Q2) On a separate matter and in strictest confidence, directly or indirectly do you know anyone who... RANDOMIZE.



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door. However, I still have the same concern of those in the past to the squander of my hard earned money by the collection agencies and their related parties. I have yet to determine the additional value received for the additional contribution provided.

Until government gets its own house in order there will be a thriving underground economy. When you consider the level of tax Canadians pay, it seems the government is the one promoting or motivating people to be less than honest. Cigarettes, liquor, gas...this list goes on.

If taxes are kept fair tax evaders will not try as hard to evade them.

The danger in having Canadian businesses owned by foreign owners is that adjustments are made to direct taxable income to other countries away from Canada.

There is a counter to this, which is a sophisticated tax department that attacks this type of practice supported by strong legislation so that legal cases do not drag out any resolution.

What is earned in Canada should bear taxes in Canada. Also, government subsidies in any form for the benefit of foreign owners should be controlled so that the original design of these programs, which is to better Canadians and Canada, are strictly upheld. Too often politicians commit to huge amounts of money and then walk away from enforcement when things go wrong with the recipient.

I suspect the tax revenue number will be considerable in size but when compared to the U.S. tax revenue. By percentage it may not look like a major issue. I also suggest that while tax havens will most probably always exist, this latest situation may cause individuals to look more closely at avoiding their fair share of taxation.

Law abiding taxpayers should not be abused by tax cheats.



Tax evaders have to be looked for and punished once caught.

### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted August 25 - 27, 2009. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=115 are deemed accurate to within approximate 9.2 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

