

# Kitco Raid: Why You Should Avoid Storing Gold in Canada

*Peter Macfarlane writes about the raid last week on one of the world's most prominent gold dealers, a clear demonstration that Canada cannot be regarded as an offshore safe haven. This is why you should NOT buy, store or trade gold in Canada.*

Here at Q Wealth we have lots of readers from North America – both from the USA and from Canada. Canada has a respectable image internationally (the Canadian government rarely stirs up trouble outside its borders), and the Canadian banking system is admittedly much more stable than the US. Even the currency has been doing well, backed in part by Canada's huge wealth of gold and other natural resources.

You might think, then, that Canada would be the perfect asset protection haven. In fact, we frequently have enquiries from US Americans asking how to open bank accounts in Canada, or thinking that the Canadian dollar is a safe haven against collapse of the US dollar. But people who think Canada is a good investment alternative to US instability and systemic insecurity are seriously mistaken. The raid on Kitco last week amply demonstrated this, if it wasn't already obvious.

Considering how much money Canada makes from precious metals and mining companies, you would think they might respect the gold business. Indeed, it's no coincidence that one of the world's largest gold trading and research firms is Canadian – and it was this firm, [Kitco](#), that was [raided by authorities in Quebec](#) last week. Almost every precious metals site out there links to the famous Kitco charts.

Our friend Jeff at The Dollar Vigilante blog, who is Canadian himself, recently warned about how the US Government was looking to “regulate” gold trading companies. Regulate, he says, “is a code-word for, take-over, destroy or monopolise.”

He had been warning against this trend in the US, but he probably wasn't surprised that Canada took the lead. More than 175 Revenu Quebec agents conducted raids related to Kitco last Thursday on homes, offices, accountancy firms and bankruptcy trustees in the Montreal area. In other words, Kitco was raided big-time by the equivalent of the IRS, and a court-appointed receiver is now controlling the company.

Kitco has not been formally charged with anything. As Jeff says, "Kitco has been a highly respected and reputable precious metals dealer for decades in Canada and it is highly, highly unlikely that they have done anything improper."

The allegations, as I understand them, apparently centre on supposed sales tax evasion. Because scrap gold is subject to tax but bullion isn't, allegedly Kitco was buying scrap gold, paying the sales tax to the sellers (local jewellery firms or small gold dealers) then legitimately reclaiming the sales tax paid. Since Kitco was selling bullion, they were not obliged to charge sales tax. Therefore they would have been receiving large tax rebates on a regular basis – something governments obviously hate!

All this is quite legal and normal, but it's possible that the sellers of the scrap gold simply disappeared, instead of handing over the sales tax to the government as they were supposed to. This means that on the one hand the government were not receiving the tax, but on the other hand they were paying it out to Kitco. In Europe this is called "missing trader fraud" or "carousel fraud" and also reached epidemic levels a couple of years ago on easily tradeable high value items like microchips, until governments had to introduce special regulations in this regard (as a side note, readers might remember how the closure of the Netherlands-Antilles based bank [First Curacao International Bank](#) in 2006 and the arrest of billionaire banker and oil trader John Duess was also apparently down to this type of fraud.)

I would say it is very unlikely that Kitco were deliberately involved in this, but they probably made the mistake of expecting the government to play by the rules. Once Kitco has paid the taxes and received a valid invoice, it's certainly not Kitco's responsibility to make sure the third party actually pays the taxes due. Kitco didn't design the system. Unfortunately, Revenu Quebec doesn't seem to see it this way.

Basically, the raid is about teaching people a lesson. Those involved in the gold business are not popular with governments. Those receiving tax rebates are not popular either. And the Canadian taxman has learned from the US about high profile, publicity seeking cases where you accuse first, destroy somebody's business, then later look at the facts.

As for the bigger picture, Jeff of *The Dollar Vigilante* also highlights five top reasons why the Canadian dollar will not survive a US dollar collapse:

- The Canadian economy is very tied to the US economy
- The Canadian Government is intent on devaluing the Canadian dollar alongside the US
- The Bank of Canada has virtually no gold backing the Canadian dollar
- All that does back the Canadian dollar is the US dollar and other fiat currencies
- The Canadian dollar is not used globally

What can we learn from this?

Again I preach diversification, diversification and diversification. Western countries like the USA, Canada, the UK and Australia (did I hear the words 'Perth Mint'?) are NOT safe places to keep your physical precious metals.

Our favored gold storage location is still Switzerland. Switzerland is the centre of the world gold trade, a bastion

of stability, and it is just unthinkable that the Swiss government would do something like the Kitco raid. If you haven't yet read our free report on The Best Ways to Own Gold, [click here now to download your copy](#). It explains our reasoning in more detail and also describes our recommended solutions.

Singapore is also an upcoming gold storage haven. It isn't yet able to compete with Switzerland on pricing and volume, but several storage facilities are now offering precious metals storage in the duty free zone at Changi Airport. Hong Kong is another option, and this is definitely something that will be on the agenda at the Q Wealth Symposium in October 2011 in Hong Kong, to which any interested person is invited – [Contact Us](#) for further details.