



Crans Montana Forum 11th International Summit on Transnational Crime

**Tax havens: to list or not -
this is the question**

**Mr. Jeffrey Owens,
Director, Centre for Tax Policy Administration, OECD
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Email: jeffrey.owens@oecd.org



PART I

**NEW FINANCIAL ENVIRONMENT CALLS FOR
NEW STANDARDS**



Integrated financial markets pose new global challenges

New opportunities for illicit activities:

- Money laundering
- Misuse of corporate vehicles
- Terrorist financing
- Tax abuse
- Threats to stability of financial system

All activities which thrive in climate of secrecy, non-transparency and non-cooperation



Offshore tax evasion is a big issue

- **\$5-7 trillion held offshore**
- **360,000 Shell Companies in the BVI**
- **\$9.4 billion from BVI to China**
- **Brazil reports a deficit of \$4 billion trade with Caribbean Islands**
- **Singapore now 3rd biggest private wealth centre after Luxemburg and Switzerland**
- **Caymans 5th largest deposit banking center in the world**



Revenue loss can be serious

- **Ireland collects almost €900 million from Irish residents with offshore Channel Island accounts**
- **Italian tax amnesty expected to yield billions**
- **Senate Finance Committee quotes estimates of \$40-70 billion lost to tax havens**
- **UK has already recovered £600 million from its recent clampdown on offshore evasion, with a further 30,000 cases under examination**

The sums are large



« The broader policy implications of a lack of transparency

But bottom line is that offshore tax evasion:

- **Undermines the fairness and integrity of our tax system**
- **Restricts the ability of governments to lower tax rates for all**
- **Distorts financial and capital flows**
- **Undermines national sovereignty**



PART II

INTERNATIONAL RESPONSE



The response of governments

- **Launching the Financial Action Task Force**
- **Creating the Financial Stability Forum**
- **Creating the OECD Forum on Harmful Tax Practices**
- **Parallel tracks but common goals:**
 - ❑ **To improve transparency**
 - ❑ **To raise governance standards in financial centers**
 - ❑ **To encourage cooperation to counter abuse**



OECD objectives

What does the OECD seek?

- improved transparency
- improved exchange of information
- a co-operative approach

What is not sought?

- harmonization or setting minimum tax rates
- impinging on national fiscal sovereignty
- an unfair competitive advantage for OECD financial centres



OECD approach

Recognizes:

- **Interest of government in protecting integrity of tax system and confidentiality of taxpayer information**
- **Interest of business community in avoiding excessive burden**
- **Countries' right to tailor their own tax systems to their own needs**



PART III

THE G20 INSPIRED REVOLUTION



Unprecedented progress

- **More progress in 10 months than in 10 years**
- **As stated by the G20 leaders “The era of bank secrecy (for tax purposes) is over”.**
- **OECD principles on transparency and exchange of information are almost universally accepted**
- **Impact: no more places to hide safely because of tax cooperation**



Unprecedented progress

- **From commitments to actual implementation: a three step process**
 - ❑ **All 87 jurisdictions surveyed by the Global forum have now committed to the standards**
 - ❑ **More than 110 TIEAs signed, 70 in the past 6 months and 50 DTC revised or concluded including updated Article 26**
 - ❑ **Restructured Global Forum to establish robust peer review mechanism**



Background: The standards

- **The OECD standards on Transparency and Exchange of Information include:**
 - Access to information, including accounting and ownership information**
 - Ability to exchange information, including bank and fiduciary information**
 - Information exchanged on request, i.e. no fishing expedition**



Background: New political impetus

- « Liechtenstein » scandal in february 2008 raises the political profile
- Franco-German initiative: two ministerial meetings (October 2008/June 2009)
- G7 Communiqué (Hokkaido in July 2008 – Finance ministers in Lecce June 2009)
- G20 statements in Washington (15 November 2008), London (2 April 2009) and Pittsburgh (24-25 September 2009)



OECD progress report

- **In conjunction with G20 summit OECD Secretariat issued a Progress Report identifying:**
 - ❑ **Jurisdictions which are currently considered to have substantially implemented the OECD standard by having concluded at least 12 agreements to the standard;**
 - ❑ **Jurisdictions which committed but have not yet substantially implemented the OECD standard; and**
 - ❑ **Jurisdictions which have not yet committed to the OECD standard**
- **Progress Report is updated continuously**



The progress report

A PROGRESS REPORT ON THE JURISDICTIONS SURVEYED BY THE OECD GLOBAL FORUM IN IMPLEMENTING THE INTERNATIONALLY AGREED TAX STANDARD¹

Progress made as at 10th November 2009 ([Original Progress Report 2nd April](#))

Jurisdictions that have substantially implemented the internationally agreed tax standard			
Argentina	Estonia	Jersey	San Marino
Aruba	Finland	Korea	Seychelles
Australia	France	Liechtenstein	Slovak Republic
Austria	Germany	Luxembourg	Slovenia
Bahrain	Gibraltar	Malta	South Africa
Barbados	Greece	Mauritius	Spain
Belgium	Guernsey	Mexico	Sweden
Bermuda	Hungary	Monaco	Switzerland
British Virgin Islands	Iceland	Netherlands	Turkey
Canada	India	Netherlands Antilles	United Arab Emirates
Cayman Islands ²	Ireland	New Zealand	United Kingdom
China ³	Isle of Man	Norway	United States
Cyprus	Israel	Poland	US Virgin Islands
Czech Republic	Italy	Portugal	
Denmark	Japan	Russian Federation	

Jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented					
Jurisdiction	Year of Commitment	Number of Agreements	Jurisdiction	Year of Commitment	Number of Agreements
Tax Havens⁴					
Andorra	2009	(8)	Nauru	2003	(0)
Anguilla	2002	(4)	Niue	2002	(0)
Antigua and Barbuda	2002	(9)	Panama	2002	(0)
Bahamas	2002	(4)	St Kitts and Nevis	2002	(5)
Belize	2002	(0)	St Lucia	2002	(0)
Cook Islands	2002	(2)	St Vincent and the Grenadines	2002	(5)
Dominica	2002	(1)	Samoa	2002	(3)
Grenada	2002	(1)	Turks and Caicos Islands	2002	(5)
Liberia	2007	(0)	Vanuatu	2003	(0)
Marshall Islands	2007	(1)			
Montserrat	2002	(0)			
Other Financial Centres					
Brunei	2009	(6)	Malaysia	2009	(2)
Chile	2009	(0)	Philippines	2009	(0)
Costa Rica	2009	(0)	Singapore	2009	(11)
Guatemala	2009	(0)	Uruguay	2009	(2)

Jurisdictions that have not committed to the internationally agreed tax standard			
Jurisdiction	Number of Agreements	Jurisdiction	Number of Agreements
All jurisdictions surveyed by the Global Forum have now committed to the internationally agreed tax standard			

¹ The internationally agreed tax standard, which was developed by the OECD in co-operation with non-OECD countries and which was endorsed by G20 Finance Ministers at their Berlin Meeting in 2004 and by the UN Committee of Experts on International Cooperation in Tax Matters at its October 2008 Meeting, requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes. It also provides for extensive safeguards to protect the confidentiality of the information exchanged.

² The Cayman Islands have enacted legislation that allows them to exchange information unilaterally and have identified 12 countries with which they are prepared to do so. This approach is being reviewed by the OECD.


³ Excluding the Special Administrative Regions, which have committed to implement the internationally agreed tax standard

⁴ These jurisdictions were identified in 2000 as meeting the tax haven criteria as described in the 1998 OECD report.



Progress reported

- **All jurisdictions have committed to the standards (Costa Rica, Guatemala, Malaysia and Uruguay) quickly removed from the category of non committed jurisdictions**
- **12 jurisdictions have substantially implemented the standards since 2 April: Aruba, Austria, Belgium, Bermuda, British Virgin Islands, Bahrain, Cayman Islands, Luxembourg, Monaco, Netherland Antillas, San Marino, Switzerland**
- **Some others progressing**



Looking forward: Restructuring the Global Forum

- **Mexico 1-2 September, more than 70 delegations agree to:**
 - ❑ **Restructure the OECD Global Forum to expand its membership and ensure its members participate on an equal footing**
 - ❑ **Establish an in-depth peer review process (chaired by France) to monitor and review progress made towards full and effective exchange of information**
 - ❑ **Identify mechanisms to speed-up the negotiation and conclusion of agreements to exchange information and to enable developing countries to benefit from the new, more cooperative tax environment.**



Next steps

- **Peer Review Group will meet in October and again in December to agree terms of reference and methodology for peer reviews**
- **Regular meetings will then be held four times a year**
- **Next plenary meeting to take place before June 2010**
- **Report to G20 in November on multilateral agreement**
- **Report in 2010 on how to benefit developing countries**