

# Challenges in business taxation and tax havens

Presentation to Danish Parliamentarians

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# TRACE Project – Treaty Relief and Compliance Enhancement

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- New phase of work ongoing since 2006 to develop streamlined procedures for treaty relief on investment income, coupled with enhanced compliance through robust information reporting and automatic exchange of information.
- Discussion drafts in 2009 and 2010 on best practices, documentation recommendations
- Key focus – international harmonisation and workability.
- Strong CFA support, coordination with parallel EU work.
- Win-win-win for investors, financial intermediaries, governments.

# Tax and Development

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- Monterrey: We reduce debt and increase aid; you mobilise domestic resources.
  
- OECD approach:
  - Give LDC access to TIEAs/TDA.
  - Get real consensus on transfer pricing.
  - Improve transparency of MNEs.
  - strengthen tax administration, increase state building and governance and reduce aid dependency.

# Moving from Tax Co-operation to Tax Co-ordination between Tax Administrations

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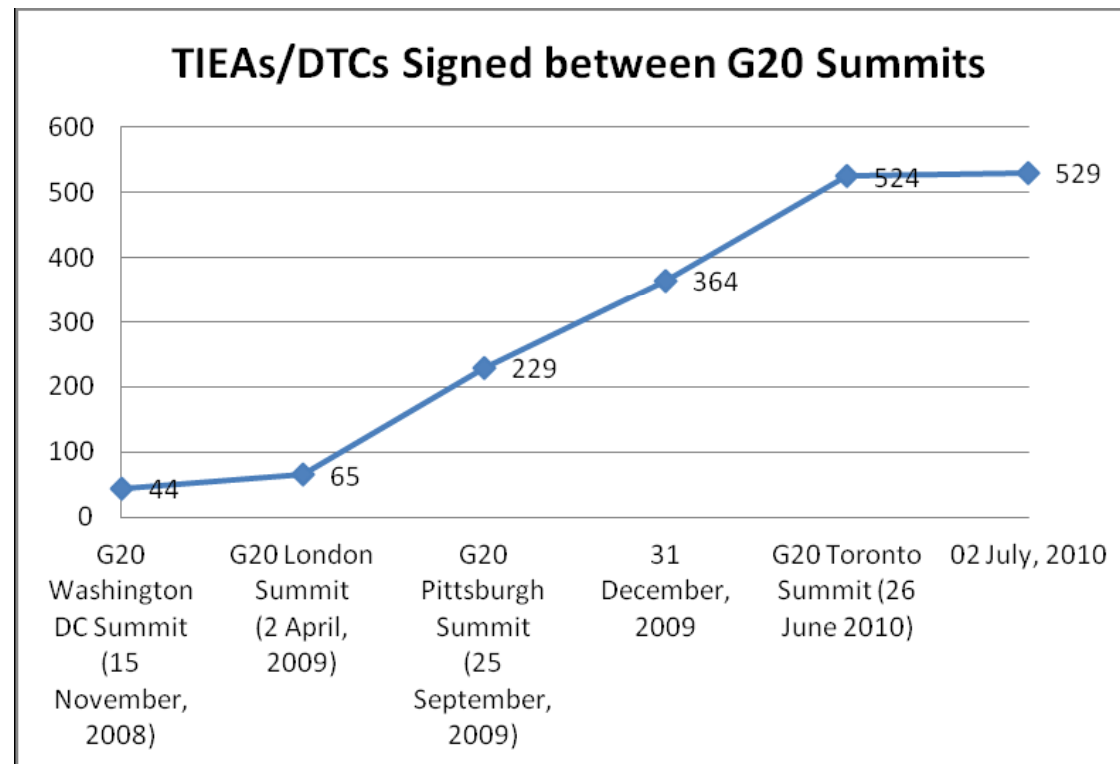


- Progress on the "Enhanced Relationship"
- Joint Audits
- Voluntary Compliance Initiatives
- Improving Taxpayer Service
- Putting Tax Compliance into the Boardroom

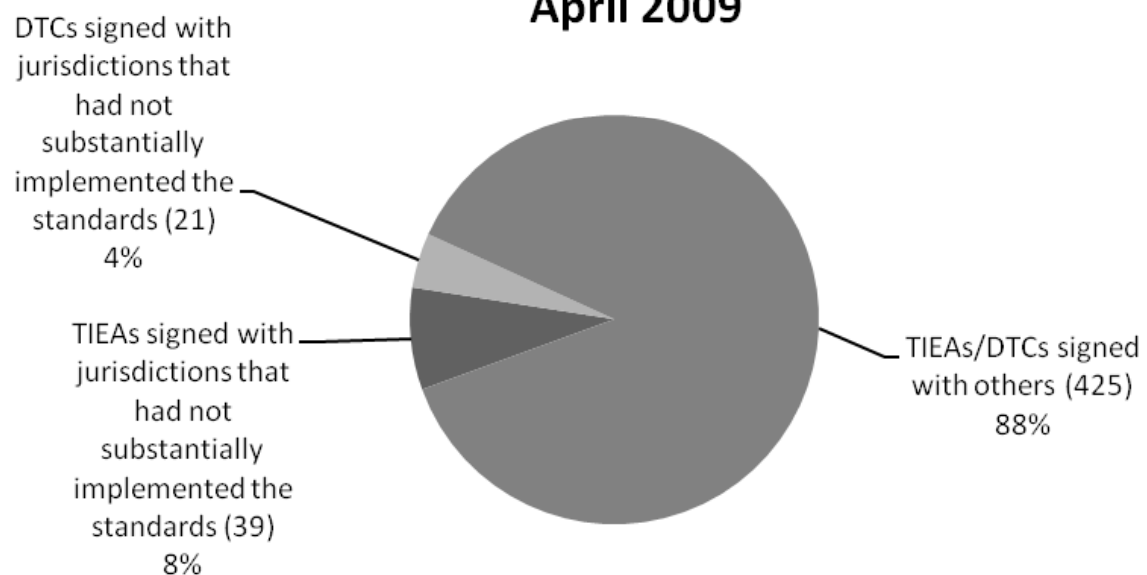
# 2009: A YEAR OF UNPRECEDENTED PROGRESS



- On 2 April 2009 the G20 agreed to take action against non-cooperative jurisdictions, including tax havens .
- OECD Secretariat publishes Progress Report on implementing internationally agreed tax standard.
- OECD principles on transparency and exchange of information now universally accepted.
- As stated by the G20 leaders “The era of bank secrecy (for tax purposes) is over” .
- A new era of transparency begins.



### TIEAs/DTCs signed by jurisdictions that had not substantially implemented the standard on 2 April 2009



**A PROGRESS REPORT ON THE JURISDICTIONS SURVEYED BY THE OECD GLOBAL FORUM IN IMPLEMENTING THE INTERNATIONALLY AGREED TAX STANDARD<sup>1</sup>**



Progress made as at 2<sup>nd</sup> July 2010 ([Original Progress Report 2<sup>nd</sup> April 2009](#))

<b>Jurisdictions that have substantially implemented the internationally agreed tax standard</b>			
Andorra	Czech Republic	Japan	St Vincent and the Grenadines
Anguilla	Denmark	Jersey	Samoa
Antigua and Barbuda	Dominica	Korea	San Marino
Argentina	Estonia	Liechtenstein	Seychelles
Aruba	Finland	Luxembourg	Singapore
Australia	France	Malaysia	Slovak Republic
Austria	Germany	Malta	Slovenia
The Bahamas	Gibraltar	Mauritius	South Africa
Bahrain	Greece	Mexico	Spain
Barbados	Grenada	Monaco	Sweden
Belgium	Guernsey	Netherlands	Switzerland
Bermuda	Hungary	Netherlands Antilles	Turkey
Brazil	Iceland	New Zealand	Turks and Caicos Islands
British Virgin Islands	India	Norway	United Arab Emirates
Canada	Indonesia	Poland	United Kingdom
Cayman Islands	Ireland	Portugal	United States
Chile	Isle of Man	Russian Federation	US Virgin Islands
China <sup>2</sup>	Israel	St Kitts and Nevis	
Cyprus	Italy	St Lucia	

<b>Jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented</b>					
<b>Jurisdiction</b>	<b>Year of Commitment</b>	<b>Number of Agreements</b>	<b>Jurisdiction</b>	<b>Year of Commitment</b>	<b>Number of Agreements</b>
<b>Tax Havens<sup>3</sup></b>					
Belize	2002	(4)	Nauru	2003	(0)
Cook Islands	2002	(11)	Niue	2002	(0)
Liberia	2007	(1)	Panama	2002	(2)
Marshall Islands	2007	(3)	Vanuatu	2003	(2)
Montserrat	2002	(3)			
<b>Other Financial Centres</b>					
Brunei	2009	(9)	Philippines	2009	(0)
Costa Rica	2009	(1)	Uruguay	2009	(5)
Guatemala	2009	(0)			

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

<sup>1</sup> 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.

<sup>2</sup> Excluding the Special Administrative Regions, which have committed to implement the internationally agreed tax standard.

<sup>3</sup> These jurisdictions were identified in 2000 as meeting the tax haven criteria as described in the 1998 OECD report.





# NEW CARDS, NEW GAME, NEW GLOBAL FORUM!



- Mexico, September 2009, more than 70 delegations agreed to:
  - Restructure and expand the OECD Global Forum: Now comprises 90+ countries including all OECD and G20 members.
  - Establish an in-depth peer review process to monitor progress towards full and effective exchange of information: peer reviews commenced in March 2010.
  - Identify mechanisms to speed-up the negotiation of agreements and enable developing countries to benefit from the new, more cooperative tax environment: multilateral negotiations, updated COE/OECD Convention.

# Convention on Mutual Administrative Assistance in Tax Matters upgraded

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- The exchange covered by the 1988 Convention was subject to limitations existing in domestic laws of the signatories.
- Response to G20 calls: upgrade the Convention to bring it in line with the standard on exchange of information and open it up for signature to non-members.
  - OECD and CoE Secretariat worked together in a co-operative spirit, at times recognizing difference in approach and perspective.
  - Role of PACE, and of PACE Rapporteur, instrumental in finding consensus on thorny issues.

# Tax information exchange agreements: the international standard

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- The international standard on EOI is set out in:
  - the 2002 OECD Model Agreement on Exchange of Information on tax matters, and its Commentary.
  - Article 26 of the OECD Model Tax Convention on Income and on Capital, and its 2005 Commentary.
- The standard requires :
  - exchange of information on request where “foreseeably relevant” to administration or enforcement of all tax matters.
  - without regard to a domestic tax interest, bank secrecy, or dual criminality.
  - with safeguards to protect taxpayers rights and confidentiality.

# Future development: from signing to implementation: PEER REVIEW

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- Will shift focus from signing agreements to actual implementation.
- Will take account of quality of agreements and relevance of partners (not a numbers game).
- Will identify impediments to effective exchange of information through robust, transparent and fair peer review mechanism.
- Peers reviews launched on 1<sup>st</sup> March 2010.

# PEER REVIEW

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- 2 Phases of peer review:
  - Phase 1 will focus on legal framework;
  - Phase 2 will focus on practical implementation.
- Phase 2 includes an on-site visit.
- All jurisdictions covered by 2009 assessment will be subject to peer review, as well as other relevant jurisdictions.

# SCHEDULE OF PEER REVIEWS

2010	2010	2011	2011
1 <sup>st</sup> Half	2 <sup>nd</sup> Half	1 <sup>st</sup> Half	2 <sup>nd</sup> Half

Phase 1	Phase 1	Phase 1	Phase 1	Phase 1	Phase 1	Phase 1	Phase 1
Australia	Canada	Belgium	Bahrain	Anguilla	Andorra	Chile	Cook Islands
Barbados	Denmark	France	Estonia	Antigua and Barbuda	Brazil	China	Czech Republic
Bermuda	Germany	Isle of Man	Guernsey	Turks and Caicos	Brunei	Costa Rica	Grenada
Botswana	India	Italy	Hungary	Austria	Hong Kong, China	Cyprus	Liberia
Cayman Islands	Jamaica	Liechtenstein	Japan	British Virgin Islands	Macao, China	Gibraltar	Malta
Ghana	Jersey	New Zealand	Philippines	Indonesia	Malaysia	Greece	Russian Federation
Ireland	Monaco	San Marino	Singapore	Luxembourg	Spain	Guatemala	Saint Lucia
Mauritius	Panama	Saudi Arabia	Switzerland	Netherlands	United Arab Emirates	Korea	Slovak Republic
Norway	Seychelles	The Bahamas	Aruba	Netherlands Antilles	Uruguay	Mexico	South Africa
Qatar	Trin. and Tobago	United States	United Kingdom	Saint Kitts and Nevis	Vanuatu	Montserrat	St. Vincent and the Gren.

2012	2012	2013	2013	2014
1 <sup>st</sup> Half	2 <sup>nd</sup> Half	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	1 <sup>st</sup> Half

Phase 1	Phase 1	Phase 2	Phase 2	Phase 2	Phase 2	Phase 2	Phase 2	Phase 2	Phase 2
Samoa	Turkey	Belgium	British Virgin Islands	Bahrain, Kingdom of	Malaysia	Anguilla	Andorra	Belize	Czech Republic
Argentina	Portugal	Bermuda	Austria	Estonia	Samoa	Antigua and Barbuda	Botswana	Dominica	Gibraltar
Belize	Finland	Cayman Islands	Hong Kong, China	Jamaica	Slovak Republic	Chile	Ghana	Marshall Islands	Hungary
Dominica	Sweden	Cyprus	India	Philippines	Slovenia	China	Grenada	Nauru	Netherlands Antilles
Israel	Iceland	Guernsey	Liechtenstein	Argentina	U. S. Virgin Islands	Costa Rica	Israel	Niue	Poland
Marshall Islands	Slovenia	Malta	Luxembourg	Turks and Caicos	Vanuatu	Guatemala	Liberia	Saudi Arabia	
Nauru		Qatar	Monaco	United Arab Emirates	Indonesia	Korea	Russian Federation	Cook Islands	
Niue	Phase 2	San Marino	Panama	Barbados		Mexico	Saint Kitts and Nevis	Portugal	
Poland	Brazil	Singapore	Switzerland	Brunei		Montserrat	Saint Lucia	Uruguay	
US Virgin Islands	Seychelles	The Bahamas		Macao, China		Trinidad and Tobago	St. Vincent and the Gren.	Aruba	

## Want to know more?

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- **Visit the OECD stand at IFA**
- **Look at the CTPA Brochure**
- **Visit our website [www.oecd.org/tax](http://www.oecd.org/tax)**