

ISLE OF MAN COMMITMENT LETTER



CHIEF SECRETARY'S OFFICE

Oik yn Ard-scrudeyr

All Correspondence to be addressed to :
THE CHIEF SECRETARY

Our reference : 022 (5)
Your reference :

13th December, 2000.

Gentlemen,

I refer to the discussions that have taken place between the Isle of Man Government and the Forum on the subject of the OECD's Report "Harmful Tax Competition - An Emerging Global Issue" and I confirm the willingness of the Isle of Man Government to continue a constructive dialogue with the Forum within the next stage of the Forum's work on the subject.

I enclose a schedule of the commitments which has been the subject of discussions between us and which I am now authorised to make by the Council of Ministers, with the approval of Tynwald.

I enclose a copy of the Report which was considered and approved by Tynwald on 12th December, 2000, and from that you will see that the Isle of Man Government's commitments are offered on the basis that:

- the Isle of Man is not included on the OECD list of Unco-operative Tax Havens in July, 2001;
- those jurisdictions, including OECD member countries, that fail either to make equivalent commitments or to satisfy the standards of the 1998 Tax Competition Report, will be the subject of a common framework of defensive measures;
- the commitments will allow the full participation of the Isle of Man Government in the further and ongoing OECD discussions on the detailed implementation of the international commitments;
- in further negotiations, the interests of the Island's economy and the Island's autonomy in tax matters will be paramount in the minds of those representing the Isle of Man Government;

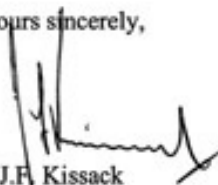
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- the detailed implementation of specific commitments will be subject to Tynwald approval on an ongoing basis as individual legislative and policy proposals are advanced.

Yours sincerely,



J.F. Kissack
Chief Secretary

For the Attention of Mr. Jeffrey Owens, OECD Secretariat

Messrs. Phil West and Bruno Gilbert,
The Co-Chairmen of the OECD's Forum on Harmful Tax Practices,
Organisation for Economic Co-operation and Development,
2, rue André Pascal,
75775
PARIS, CEDEX 16
FRANCE.

ISLE OF MAN GOVERNMENT
SCHEDULE OF COMMITMENTS

The Government of the Isle of Man hereby commits to making the following phased changes to its business taxation system, within a timescale ending 31st December, 2005.

1. Effective Exchange of Information

- (i) To allow information to be exchanged, on a reciprocal basis, with other tax authorities, upon request, and in accordance with tax information exchange provisions to be negotiated. This information will be provided:
 - (a) through administrative means in relation to criminal tax matters and defined civil tax matters;
 - (b) to persons or authorities concerned with the assessment or collection of tax, and enforcement or prosecution in respect of or the determination of appeals in relation to taxes (including courts and administrative bodies);
- (ii) The absence of an Isle of Man tax interest in the case or in the information and the fact that the conduct being investigated would not constitute a crime under the Isle of Man law, if it occurred in the Isle of Man, shall not be a bar to the provision of the information.
- (iii) To make such changes to the Island's laws as are necessary to allow information to be exchanged under the terms of the agreement in an effective manner.
- (iv) To maintain administrative arrangements and provide sufficient resources to enable the Island's regulatory and tax authorities to exchange such information and to facilitate monitoring of the process.
- (v) Not to introduce bank secrecy laws.

2. Transparency

- (i) To ensure that information on beneficial ownership of companies, partnerships and other legal entities established in the Isle of Man, including managers of collective investment funds, and trustees and beneficiaries of trusts, is available to its tax or regulatory authorities. This will include companies which, being incorporated elsewhere have a place of business in the Island, such to be defined in discussions.
- (ii) Tax or regulatory authorities will have access to bank information relevant to tax matters of both resident and non resident business enterprises.
- (iii) Accounts will be required to be kept for companies, partnerships, trusts, and other legal entities established in the Isle of Man or having a place of business in the Island. The requirement to audit accounts will follow acceptable international standards and accounts will be required to be filed in support of tax returns.

3. No Substantial Activities

In accordance with the principles of non-discrimination, restrictions will be removed on the ability of the Isle of Man entities to do business on preferential tax terms in the Isle of Man, including but not limited to Exempt Companies, International Limited Partnerships and International Limited Liability Companies.

4. Other

International Companies in their current form, Non-Resident Company Duty companies and Share Warrants to Bearer will be abolished.

ISLE OF MAN GOVERNMENT PROPOSED TIMETABLE

1. By 31 December 2002

- (i) Implement provisions which will satisfy the commitment in relation to the keeping and auditing of accounts and filing with the tax authorities;
- (ii) Implement the licensing regime for the Corporate Service Provider provisions and review its operation to ensure that it is working efficiently and that information on beneficial ownership is being recorded correctly;
- (ii) Introduce legislation which will provide for the regulation of trust business in a similar manner to that for companies, including details on beneficial ownership;
- (iv) Introduce legislation which will ensure that the conditions of any agreed information exchange procedures may be fully complied with. In particular:
 - strengthen the tax authority's access to information including third party information
 - create gateways to enable information to be exchanged between tax and regulatory authorities
 - remove the requirement for a local interest in the case before information can be obtained and provided

2. By 31 December 2003

- (i) All restrictions will be removed on the ability of Isle of Man entities and foreign companies to do business on preferential tax terms in the Isle of Man;
- (ii) Place a moratorium on the formation of any new companies where restrictions have not been moved.

3. By 31 December 2005

- (i) Abolish the legislation on any remaining harmful preferential tax entities;
- (ii) Enter into an internationally accepted form of exchange of information agreement with such OECD countries as have requested one.