

Executive Summary

As agreed at its meeting in Berlin in 2004, the Global Forum on Transparency and Exchange of Information (the Global Forum)¹ has conducted an annual review of the legal and administrative frameworks for transparency and exchange of information for tax purposes in place in over 80 countries². This began with the publication of *Tax Co-operation: Towards a Level Playing Field - 2006 Assessment by the Global Forum on Taxation*, and this report is the fourth annual assessment. As the only comprehensive and objective compilation of such information, the reports have increased the understanding of the ability of countries to provide international co-operation in tax matters.

This edition has heightened significance given today's financial and economic environment. Recent events have underscored the pressing need for countries to co-operate to ensure the full and proper application of their domestic tax laws in a world where taxpayers' financial transactions take on an increasingly international flavour. International banking has become commonplace and it is no longer extraordinary for taxpayers to reside in one country, hold assets in another and have them managed from a third location. The proliferation of such financial relationships is a natural result of globalisation, and may be motivated by tax concerns, commercial pressures or a variety of other considerations. But regardless of why taxpayers situate their assets beyond the boundaries of their own residence country, the result is that tax administrations around the world face more and greater challenges to the proper enforcement of their tax laws than ever before. To meet these challenges, tax authorities must increasingly rely on international co-operation based on the implementation of international standards of transparency and effective exchange of information.

The Global Forum has been the driving force behind the development and acceptance of these international standards. It was created in 2000 to provide an inclusive forum for achieving high standards of transparency and exchange of information in a way that is equitable and permits fair competition between all jurisdictions, large and small, OECD and non-OECD. All countries, regardless of their tax systems, should meet such standards so that competition takes place on the basis of legitimate commercial considerations rather than on the basis of lack of transparency or the lack of effective exchange of information. A decade on since the Global Forum's establishment, the goal of a level playing field is both closer and more relevant than ever.

¹ The Global Forum was formerly referred to as the Global Forum on Taxation, however its name was changed to the Global Forum on Transparency and Exchange of Information in order to more clearly identify its area of focus and to distinguish it from other Global Forums that deal with taxation issues.

² References in this document and its annexes and tables to "countries" should be taken to apply equally to "territories", "dependencies" or "jurisdictions".

The heightened political attention to the issues of transparency and exchange of information has led to a number of significant positive developments among financial centres since last year's report:

- All OECD countries now accept Article 26 (Exchange of Information) of the OECD Model Tax Convention, as updated in 2005, following the withdrawal in March 2009 by Austria, Belgium, Luxembourg and Switzerland of their reservations to Article 26. These four countries are actively negotiating updates to their treaty networks. Belgium and Luxembourg have already signed at least 12 agreements that meet the standard and Switzerland has initialled 12 with OECD countries.
- Hong Kong, China and Macao, China endorsed the standards at the 2005 Global Forum meeting in Melbourne and have now put forward legislation to enable them to implement the standards.
- Singapore endorsed the standards on 10 February 2009 and proposed relevant legislation in June 2009 intended to comply with the internationally agreed tax standard.
- More than 75 tax information exchange agreements (TIEAs) based on the Global Forum's model have been signed since the beginning of 2008.
- Andorra, Liechtenstein and Monaco – identified by the OECD in 2002 as un-cooperative tax havens – have endorsed the OECD standards and indicated their willingness to change their domestic legislation and to enter into agreements for the exchange of information for tax purposes.
- Niue, which was identified as a tax haven by the OECD in 2000, reports that it has now eliminated its offshore sector and dissolved all of its international business companies, trusts, partnerships or other offshore entities.
- Brunei, Costa Rica, Guatemala, Malaysia, the Philippines and Uruguay have all endorsed the OECD's standards of transparency and exchange of information and agreed to implement them. These developments mean that all countries surveyed by the Global Forum are now committed to the standard.

This year's report shows that a great deal of progress has been made both since the Global Forum was established in 2000, and particularly in the past year. The attention of world leaders continues to be focused squarely on the issues of transparency and exchange of information for tax purposes, so even more progress can be expected in the near term. Ensuring that all countries possess the proper legal and administrative framework to facilitate international co-operation in tax matters is a fundamental aspect of the global level playing field. However, to achieve a level playing field, countries must not only have a framework for co-operation in place, but also ensure that it operates effectively in practice.

The work of the Global Forum in the coming years will address both of these aspects of the level playing field. An important part of this work will be expanding the coverage of the assessment process so that it includes all countries that play a significant role in the global financial community. The publication of this report coincides with the next

meeting of the Global Forum, in Los Cabos, Mexico on 1-2 September 2009. The Global Forum will use the meeting to review the progress made in implementing the standards of transparency and exchange of information, the structure, composition and operation of the Global Forum, discuss proposals for a transparent, objective, fair and comprehensive monitoring and peer review process and examine how the implementation of the standards can be accelerated.