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**THE HON PETER COSTELLO MP  
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**OPENING ADDRESS**

**2005 GLOBAL FORUM ON TAXATION**

**CROWN PROMENADE HOTEL, MELBOURNE**

**TUESDAY, 15 NOVEMBER 2005**

Good Morning Ministers, Ladies and Gentlemen.

Welcome to the 2005 Global Forum on Taxation.

I would like to particularly welcome you to Australia and to Melbourne, and to extend warm greetings to our near neighbours in the Pacific who are here today.

I would also like to welcome those countries which are attending the Global Forum for the first time. Your presence is appreciated.

I am particularly pleased we are hosting this forum in Australia. This underlies the great importance the Australian Government gives to this issue.

### **The role of the Forum**

The object of this forum is to promote cooperation between jurisdictions on sharing information which will assist each of us to fairly and efficiently manage our national tax systems.

The object of the forum is not to harmonise our tax rates. Each sovereign nation is free to set its own rates and design its own tax system. That ability could be undermined by others, however, if they allowed their jurisdictions to be used to hide transactions, launder money or operate banking activity beyond examination by properly constituted investigative agencies.

And of course, banking activity beyond the reach of lawful investigation can be used for more than tax evasion – it also opens the door to organised crime and terrorist financing.

The Global Forum is about international cooperation. That cooperation will enhance national tax sovereignty. It will promote public confidence in the fair administration of taxation. And it is important to counteract trans-national crime.

### **Australia's role**

I have been involved with the work of the forum since its inception. Australia has been keen to assist other countries by sharing information. We look to other countries to assist us.

This is a real and current issue in Australia. Our revenue authorities have recently uncovered extensive information suggesting international promoters are marketing cross-border tax schemes, allegedly of a criminal nature. Our tax authorities, together with the Australian Crime Commission, are now engaged in a full blown investigation of this activity. We will require goodwill and cooperation from other countries to get to the bottom of it.

On a bilateral level, Australia is currently upgrading information exchange provisions in existing and proposed double tax treaties. These treaties need to meet the new OECD standard. In addition, Australia will continue to actively pursue specialised information exchange agreements.

I am pleased to announce that I will today be signing a new protocol to our tax treaty with New Zealand. The treaty now includes updated information exchange provisions.

I am also extremely pleased to announce Australia signed its first Tax Information Exchange Agreement, with Bermuda, in Washington on November 10.

I want to applaud Bermuda for its commitment to this process. This step can only enhance its reputation as a financial centre. I am confident it will cement and enhance Australia's relationship with Bermuda.

In the OECD, Australia has placed a high priority on active involvement in forums progressing transparency and information exchange initiatives across a wide variety of systems, including in the area of corporations and financial markets more generally. I have personally supported these efforts over a number of years. Our engagement in the Global Forum process is a natural extension of this commitment.

Outside of the OECD, we have seen significant work done by the Group of 20 meeting of Finance Ministers and Central Bank Governors. Australia was very much involved in establishing this group in 1999 and has seen it develop as an influential forum driving debate on global economic developments and governance.

In 2004, Australia was instrumental in seeing G 20 countries commit to implementing the transparency and information exchange standards developed by the Global Forum. This commitment was reaffirmed at the G 20 meeting I attended last month in Beijing.

The G 20 group expands the number of countries committed to the Global Forum's objectives and includes important emerging economies such as China, Russia and South Africa. This should provide momentum to efforts to bring other countries into this initiative.

Australia will be hosting the G 20 meeting in Melbourne next year.

### **Progress and goals**

But at this meeting, today and tomorrow, there are important decisions to be made; decisions that will help us move from principles to implementation.

Last year in Berlin, the Forum agreed on a process for moving to more effective information exchange. Countries agreed to collectively review information exchange and transparency practices.

This review involved a huge effort and enormous cooperation and goodwill of Forum members and other financial centres. This process will significantly improve our understanding of the information exchange capability of jurisdictions around the world. It is an important benchmark for future work.

Clearly there have been global improvements in information exchange, especially on tax matters involving crime. There have also been significant improvements in record keeping, governance and accountability frameworks in many countries, often reflecting anti-money laundering and anti-terrorist initiatives.

There has also been quiet progress in relation to information exchange agreements. While these agreements have not been concluded as rapidly as we might have anticipated earlier, the pace has increased and today, more than half of the OECD membership is actively negotiating new agreements.

This leads me to what must be the most critical issue facing this meeting - to assist in moving from the principles of transparency and information exchange to their implementation.

All countries should be moving toward this outcome. Our goal of increased transparency for all countries is important to the fairness of the process. But we must recognise that our agenda is for the long haul. We cannot afford to wait for the last mover in this process. We should press ahead where we can make early progress. Eventually, as more countries receive the benefit of this progress, further countries will follow suit.

### **Working together**

Countries need to work together integrating their economic and financial infrastructure, to support and benefit from global growth and development.

Australia has gained much from internationalising its economy. Accessing the global marketplace has contributed to the Australian economy outperforming more populous nations.

To gain from the closer integration of economies internationally requires strong domestic policies and frameworks, as well as effective international institutions. It also requires close cooperation between countries and recognition that the actions of one economy may have adverse effects on others.

But, there are also challenges to closer international engagement. The rules for integration need to be defined and they need to be fair and transparent. Rules and standards are necessary to prevent abuses of the international financial system, be it through financing criminal and terrorist activities or allowing taxpayers to avoid their obligations.

There are also considerable *domestic* gains to be made in implementing these standards.

Improved transparency supports good governance. Good governance is vital to the ability of countries to effectively enforce their own laws – including their chosen tax systems. This provides a stable environment, supporting well functioning markets, from which countries may grow and develop. There are no long term benefits from a ‘race to the bottom’, with countries competing to attract financial activity on the basis of reduced transparency and a willingness to turn a blind eye to tax abuses.

Highly mobile capital will shift the moment a better option is presented. Small countries that try to build their economies on capital that is trying to escape its tax obligations are not building a viable platform for long term economic and social investment.

Further, the pressure for increased transparency and information sharing between countries is inevitable in the face of today’s integrated world markets and increasing multinational operations. Initiatives, such as the Financial Action Taskforce and the Financial Sector Assessment Program, mean progress towards broadly similar international benchmarks is subject to ongoing examination.

However, it is important that responses to these pressures are developed and implemented in an inclusive and coordinated manner. The Global Forum process provides countries with that opportunity.

**Concluding comments**

In conclusion, I would say that the success of this initiative requires it to be as inclusive as possible and today we have made a good start with all the major financial centres present.

Progress to date has been considerable.

However, I want to make this point: all countries — large and small, OECD and Non- OECD Members — have room for improvement.

I want to reiterate the importance of continued progress. We are beyond the point of commitment without implementation.

Momentum is critical. If we all wait for others to move first, there will be no progress.

Finally, I hope your sessions over the next two days will be constructive and you enjoy a pleasant visit in Melbourne.

Thank you.