



# **Moving Forward on the Global Transparency and Tax Information Exchange Agenda**

**Remarks by Angel Gurría,  
Secretary-General  
OECD**

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Ladies and Gentlemen, distinguished Ministers:

The last time we met, only eight months ago, it was to discuss how to respond to the lack of progress in implementing the OECD STANDARDS OF TRANSPARENCY AND EXCHANGE OF INFORMATION. Over these eight months, we have made more progress than in the last 10 years. Both Minister Steinbrück and Minister Woerth, have made a major contribution to this progress, launching this initiative last October.

Tax evasion deprives governments of revenues needed for hospitals, schools and roads, forcing honest taxpayers to pick up the tab. It also prevents them from lowering taxes for all. In an increasingly borderless world, cross-border tax evasion has become a bigger threat. It also undermines the tax base of developing countries, making it harder for them to achieve the Monterrey goals of mobilising their domestic resources.

The OECD's work on Harmful Tax Practices has highlighted the harmful effects that result from a lack of transparency, reliance on strict bank secrecy, and lack of effective exchange of information. Our collaboration with other non-OECD countries has produced a set of STANDARDS that have been nearly universally accepted.

The implementation of these standards will allow countries to improve taxation of their own residents' income. And these are not only relevant for offshore financial centres; all countries should implement them. It is for this reason that we insist that all new entrants to the OECD meet these standards.

Let me share with you the OECD's recent efforts to help countries address the challenge of international tax evasion.

### **1) Progress in Implementing the Standard**

Since the Liechtenstein case broke in 2008, international tax evasion and the implementation of the internationally agreed standard have been very high on the political agenda.

At their London Summit, G20 Leaders agreed to take action against non-cooperative jurisdictions, including tax havens. And I quote: “We stand ready to deploy sanctions to protect our public finances and financial systems. The era of banking secrecy is over. We note that the OECD has today published a list of countries assessed by the Global Forum against the international standard for exchange of tax information.”

This view was reinforced at the G8 Finance Ministers Meeting in Lecce, Italy, last week. They urged further progress in the implementation of the OECD standards, involving the widest possible number of jurisdictions, and the development of an effective peer review mechanism.

This heightened political attention has led to significant progress over the past months.

I am particularly pleased at the rapid progress made by the four OECD countries that have recently withdrawn their reservations on Article 26 (the Exchange of information article) of the OECD Model Tax Convention.

Austria will discuss changes to its internal legislation next week which will enable it to upgrade its treaty network. Belgium, which already has a treaty with the US which meets the OECD standard, has written out to more than 80 countries proposing a protocol to existing treaties to incorporate the article 26 standard and today in Berlin signed a protocol with the Netherlands. Luxembourg now has treaties signed with Bahrain, Denmark, France, India, the Netherlands and the United States, which meet the OECD standard. Switzerland is also negotiating with a number of countries and has recently concluded its negotiations on revising its treaties with Denmark, France, Mexico, Norway and the US.

But there are many other very important achievements that I would like to share with you.

All 84 countries surveyed by the Global Forum have now endorsed the standards and agreed to implement them, and the number of tax information exchange agreements (TIEAs) doubled to over 80 during the last six months. Let me give you some concrete examples:

- Hong Kong and Macao — which had already endorsed the standards in 2005 — along with Singapore, have each announced that they will shortly put forward legislation to implement the internationally agreed tax standard and our recent discussions with them confirmed that work is underway to achieve this.
- Andorra, Liechtenstein and Monaco – identified by the OECD in 2002 as uncooperative tax havens – have endorsed the OECD standards. They have also indicated their willingness to change their domestic legislation and to enter into agreements for the exchange of information. All 3 have been removed from the OECD's list of uncooperative tax havens. Liechtenstein already signed a TIEA with the United States in December 2008 and has commenced negotiations with Luxembourg and the United Kingdom.
- The Cayman Islands has signed several TIEAs recently, including two here in Berlin, and is about to sign several more. Bermuda has recently moved over the 12 threshold. Brunei and Guatemala formally endorsed the standard and identified the steps taken or to be taken this year to implement the standard.
- After intense discussions with the OECD immediately after the London Summit, Costa Rica, Malaysia, the Philippines and Uruguay, originally identified in the 2nd April Progress Report as not having endorsed the internationally agreed tax standard, have now done so and have identified concrete steps to be taken this year to implement it.
- Chile, which is in the process of joining the OECD, has submitted legislation to meet the standard. Now that all OECD countries have endorsed and are implementing the standards, any country hoping to accede to the OECD will be required to do so.

- Many more agreements will be signed (some this week here in Berlin) in 2009 and it is expected that the number of jurisdictions which are prepared to conclude TIEAs will increase

Let me now make three comments on the report that we issued on 2<sup>nd</sup> April:

- First, thanks to the political impetus given to the OECD approach by your October meeting and your willingness to put in place defensive measures, it has proved possible to get all 84 jurisdictions covered by the Global Forum's assessment to commit to the standards (more than half have also substantially implemented them).
- Secondly, while the 12 agreement threshold is a good indicator of progress, it should not be seen as just a "numbers game". All countries must aim to have high quality agreements which are effectively implemented with all interested countries. It is for this reason that the Global Forum will strengthen its peer review process to focus on effective implementation of the transparency and exchange information standards.
- Thirdly, we need to ensure that developing countries have access to this more transparent environment. These concerns are already on the OECD's agenda. At the Finance for Development Conference held in Doha last November, I forcefully pointed out that for developing countries to be able to mobilize their domestic tax base they must improve the capacity of their tax administrations, including in countering international tax evasion (NGOs estimate that this represents a significant multiple of the aid that flows into developing countries). The OECD has supported the creation of an African Tax Administration Forum which will play a key role in helping African governments meet their Monterrey goals.

## **2) Improving voluntary compliance**

In this changing environment, governments are recognizing that there is an opportunity to achieve better voluntary compliance by taxpayers. Recently, a number of OECD countries (eg. France, Netherlands, UK, US) have put in dedicated programmes.

Taxpayers are realizing that there are no longer any safe havens to hide assets and income from tax authorities. Those who in the past failed to report income and assets to their country of residence now recognize that the risk of detection has increased, which has spurred greater willingness to become fully compliant.

Governments need to deal firmly with taxpayers who have committed tax evasion and who have failed to come forward before being detected. At the same time, they can take advantage of the more transparent environment to encourage non-compliant taxpayers to come forward voluntarily and a number of countries already have rules and programs designed to encourage such disclosure.

### **3) Next Steps**

In the same vein, the OECD will continue to examine how to improve the effectiveness of defensive measures. In 1998 the OECD identified three categories of defensive measures: domestic tax measures (e.g. putting withholding tax on payments to uncooperative jurisdictions); tax treaty measures (e.g. terminating treaties with countries that are not prepared to engage in full exchange of information); and non – tax measures (e.g. discouraging international financial institutions from having funds in uncooperative jurisdictions).

Over the next two months the OECD's Committee on Fiscal Affairs and the Global Forum will focus on:

- Strengthening the Global Forum on Transparency and Exchange of Information by:
  - Establishing a robust peer review mechanism;
  - Monitoring the implementation of the agreed tax standards;
  - Expanding the countries participating in the Global Forum, including developing countries;
  - Speeding up the process of negotiating Tax Information Exchange Agreements and Tax Treaties, including developing multilateral instruments.

- Developing further its toolbox of countermeasures against non-cooperative jurisdictions and assessing their effectiveness;
- Continuing work on the design of voluntary compliance programmes.
- Working together with Financial Action Task Force on how to establish a coherent framework between tax and FATF transparency standards.

The OECD is committed to keeping the international community informed of progress. We will pay particular attention to achieving a quick expansion of the Global Forum and a peer review mechanism which is multilateral, impartial and transparent. This is essential to ensure the effective implementation of the OECD standards. We will have an opportunity to further discuss these issues at the OECD Ministerial meeting this week in Paris.

The Global Forum will meet on 1st-2nd September in Mexico, and will prepare a report on all of these issues prior to the Pittsburgh G20 Summit.

Ladies and gentlemen:

In these difficult times, when governments need every dollar of tax revenue, when citizens need to be reassured that the tax burden is being fairly shared, when governments are striving to improve transparency in financial markets, it is essential that the international community moves forward.

It is an ambitious agenda which transcends any grouping. This is a global challenge; beyond the G7, the G8, the G20, or the OECD itself. We will keep working very hard to strengthen tax transparency throughout the world, by urging all interested countries to come together to implement swiftly and effectively the global standards, to build together a stronger, cleaner and fairer global economy.

Thank you very much.