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GRENADA, W.I.

27th February 2002

Mr. Donald Johnston
Secretary General
OECD
2 RUE André Pascal
75775 Paris Cedex 16
France

Via fax: 011 33 1 44 30 63 21, Email, and post

Dear Mr. Johnston,

COMMITMENT OF GRENADA

I am writing in connection with the OECD's project on harmful tax competition. I am pleased to inform you that the Government of Grenada commits to the principles of effective exchange of information in tax matters and transparency. To ensure compliance with these principles, the Government of Grenada will implement the measures outlined in the Attachment.

The detailed implementation of specific commitments will be subject to Grenada Parliamentary approval on an ongoing basis as individual legislation and policy proposals are advanced.

We understand that the OECD is prepared to assist Grenada in establishing, improving, or maintaining such practices as are necessary to comply with the commitments.

These commitments will have significant adverse costs impacts on the small economy of Grenada; but, taking into account the need to pursue the long term development of its economy, and recognizing the important roles of fiscal and other measures in this context, and the need to maintain its fiscal autonomy, Grenada makes these commitments in the hope that the OECD and other international organizations will be responsive to these objectives. Areas of possible assistance could include tax policy, tax administration and generally assistance in strengthening capacities in financial services.

A Effective exchange of information

Guernsey will:

1. Maintain in place legal mechanisms that allow information to be provided to tax authorities upon specific request for the investigation and prosecution of criminal tax matters, on a reciprocal basis and in accordance with the legal procedures for handling such requests. Such procedures will be referred to in any tax information exchange, or mutual legal assistance, agreements to be negotiated;
2. Maintain administrative arrangements and provide sufficient resources to ensure effective exchange of information;
3. Provide information requested without any bar because of the absence of Guernsey tax interests in a case or in the information, or because the conduct being investigated would not constitute a crime under Guernsey laws, if it occurred in Guernsey;
4. Provide to tax authorities upon specific request, and in accordance with tax information exchange agreements to be negotiated with individual countries, information that may be relevant to civil tax matters;
5. Allow information to be exchanged through administrative means, in accordance with tax information exchange agreements to be negotiated, with persons or authorities concerned with the assessment or collection of tax, or enforcement or prosecution or the determination of appeals in relation to taxes (including courts and duly authorised administrative bodies);
6. Negotiate tax information exchange agreements in accordance with the foregoing, subject to there being full reciprocity (i.e. the other party has the same or equivalent provisions for the relevant exchange of information) including adequate protection against the unauthorised disclosure of information by the receiving jurisdiction and taking fully into account privacy obligations arising out of Article 17 of the International Covenant on Civil and Political Rights, Article 8 of the European Convention of Human Rights and similar obligations;
7. Make such changes to its laws, if any, as are necessary in order to enable information to be exchanged in an effective manner under the terms of agreements to be negotiated as indicated above.

B Transparency

Guernsey will:

8. Ensure that information on beneficial ownership of companies, partnerships and other legal entities established in Guernsey, 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;

9. Ensure that the Guernsey authorities have access to bank information relevant to tax matters of both resident and non-resident business enterprises, individuals and other entities, including trusts;
10. Require accounts to be kept by companies, partnerships, trusts and other legal entities established in Guernsey or having a place of business in the Island. The requirement to audit accounts will follow accepted international standards and accounts will be required to be filed in support of tax returns; and
11. Agrees that information mentioned in paragraphs 8 to 10 above will be subject to exchange in accordance with negotiated tax information exchange agreements.

The general political commitment stated above should be read with reference to the following:

- i. Guernsey considers that it already has existing legislation in line with the OECD's proposals for exchange of information on criminal tax matters to be implemented by 31 December 2003;
- ii. by reason of Guernsey's legislation in respect of investigation of fraud, all crimes money laundering and international co-operation, it is already possible for information to be exchanged which in some other jurisdictions could be regarded as an exchange of information in respect of civil tax matters;
- iii. Guernsey will be invited to participate fully on an equal basis in any discussions in the Global Forum of OECD member countries and representative non-member countries and jurisdictions on the design of internationally accepted standards for the implementation of these and any similar commitments;
- iv. Guernsey is of the view that jurisdictions generally must become increasingly integrated into the process of setting new international standards if those standards are to attract global support, and of implementing existing and new international standards, and that the Committee on Fiscal Affairs work on taxation in this regard will only be fully successful if it is carried out on a global basis and through a global partnership;
- v. Guernsey regards the principle of a level playing field as essential to individual countries' economic interests and to continuing global economic growth and notes that the importance of this principle is very widely recognised;

- Subject to de minimis exceptions to be developed by Grenada together with the OECD and other committed jurisdictions, Grenada will require that companies, partnerships, trusts and other legal entities established in Grenada or having a place of business in Grenada maintain up to date accounts which are prepared in accordance with generally accepted accounting standards. Subject to other exceptions to be developed by Grenada together with the OECD and other committed jurisdictions, the companies, partnerships, trusts and other legal entities that are required to keep accounts will also be subject to either an audit or filing requirement. Grenada agrees that such statements will be subject to exchange agreements referred to in paragraph 1 above.
- Grenada agrees that its Commissioner of Inland Revenue or other competent authorities will have access to bank information of persons and companies liable to tax in OECD countries to the extent necessary to perform obligations under a tax information exchange agreement concluded pursuant to paragraph 1.