

A large, semi-transparent blue globe with a world map overlay, serving as the background for the central text.

# FULL TRANSPARENCY & AEOI - WILL THEY SUFFICE TO CURB TAX AVOIDANCE ?

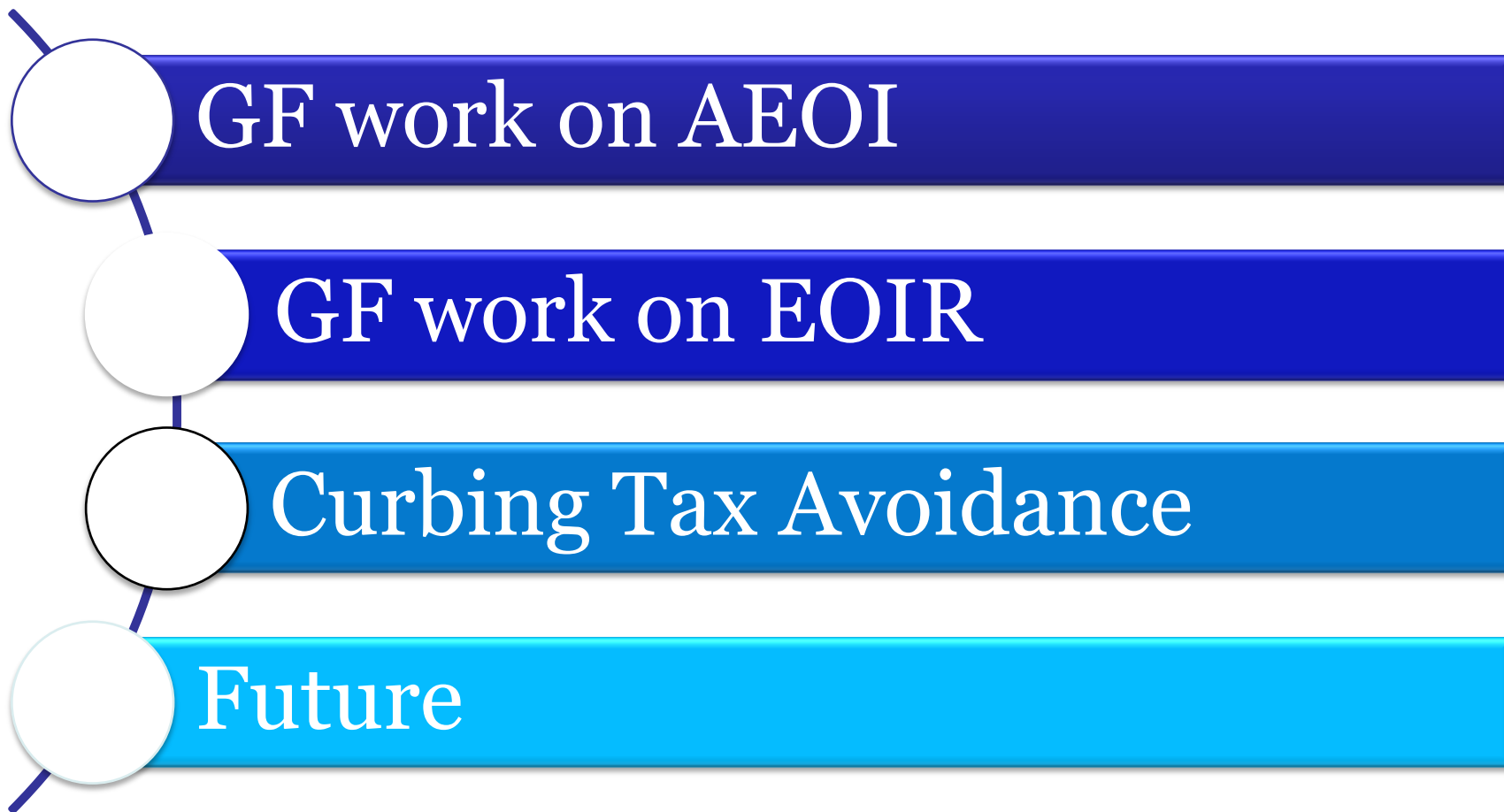
Monica Bhatia

International Taxation Conference, Mumbai, 1-3 December 2016

Global Forum on Transparency and Exchange of Information for Tax Purposes



# Content





## Some numbers

- 137 GF Members
- 8 new members in 2016: Chad, Guyana, Maldives, Lebanon, Paraguay, Egypt, Moldova, Togo
- All committed to the standard of exchange of information on request (EOIR)
- 54 jurisdictions committed to AEOI exchange in 2017 and 47 jurisdictions in 2018
- 107 jurisdictions participating in the MAC
- 87 jurisdictions have signed the MCAA



# AEOL: the staged approach

2015

2016

2017

2018

2019

1. Commitments and monitoring implementation

2. Expert led confidentiality assessments

3. Legislation & low-risk lists assessments

6. Ensuring networks include appropriate partners

4. Self-declared operational/IT plan – commitments and monitoring

5. Compliance with technical exchange requirements

Technical Assistance

Commence comprehensive reviews assessing effectiveness of implementation



# AEOI Monitoring

- Allows members to identify:
  - Progress made and delivery of a level playing field
  - Areas where support can be provided
  
- Focus on:
  - Status of domestic legislation
  - Status of international agreements
  - Status of IT infrastructure
  
- Tracking key milestones to be reported to the G20





# Confidentiality assessments

- Preliminary assessments to inform potential exchange partners
  - Expert panel report
  - Sovereign decision to exchange
  
- 84 reports finalised in one year, still 10 this year
- Action plans where gaps identified – support given





# AEOI legislative assessments

1

- Preliminary to guarantee level playing field

2

- No ratings yet, possibility to amend.

3

- Based on checklist with 68 identified risk areas

4

- Exempted FIs and accounts are looked at

5

- Throughout 2017 and 2018.



# International Network of Agreements

- Aimed at widest possible exchange network
- Interested and appropriate partners
- May decline if no legal framework or confidentiality
- Explain when other reasons
- Make known by MCAA notifications/ bilateral agreements
- Discussions on arguments for not-exchanging
- Part of rating in comprehensive review

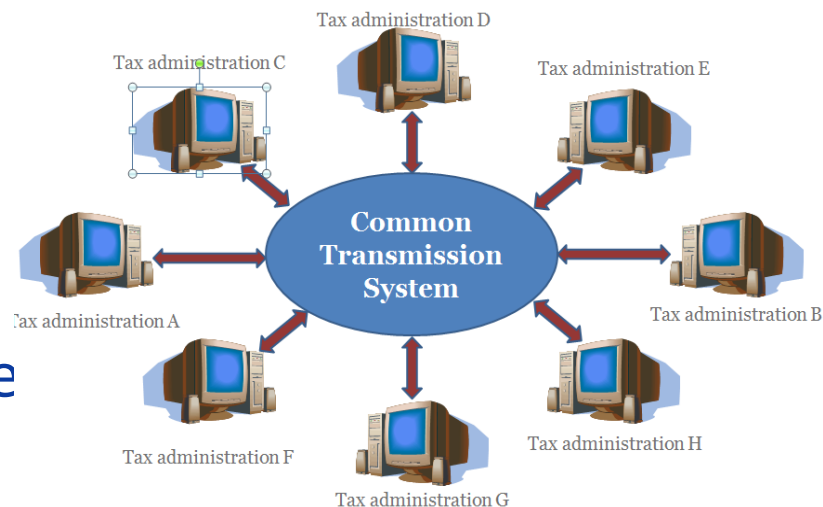






# Common Transmission System

- International OECD hosted exchange system
  - Encrypted transmission channel
  - Encrypted message
  - Hub to hub possible
  - No storage of tax information
- Aimed for all jurisdictions to use
- Test phase first half 2017

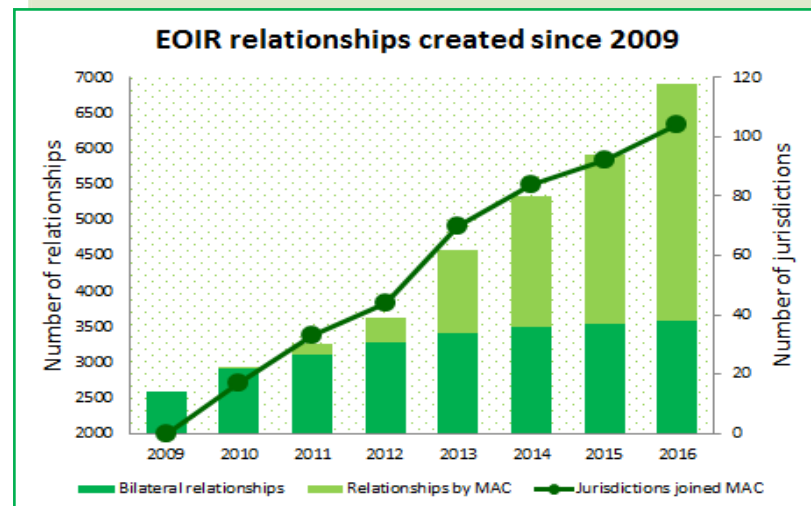
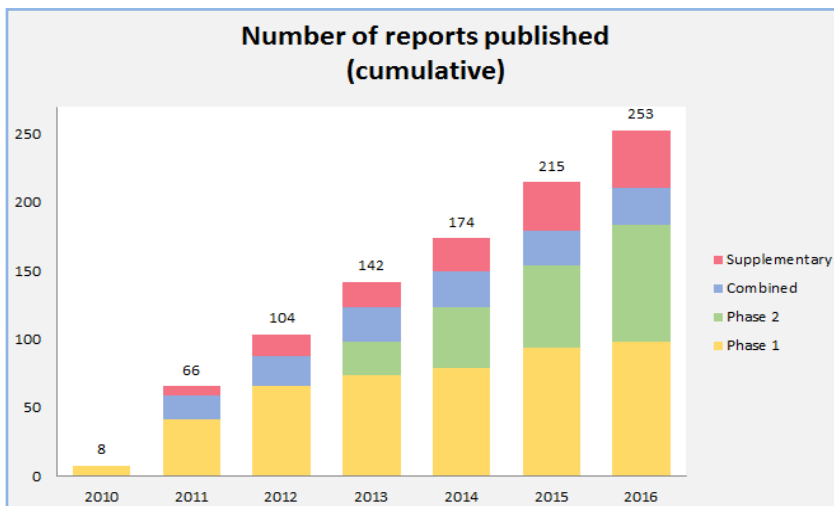




# State of Play - EOIR



- Completion of first round of reviews: 253 peer reviews published, 116 ratings assigned
- an increase of 280% in the number of EOI relationships

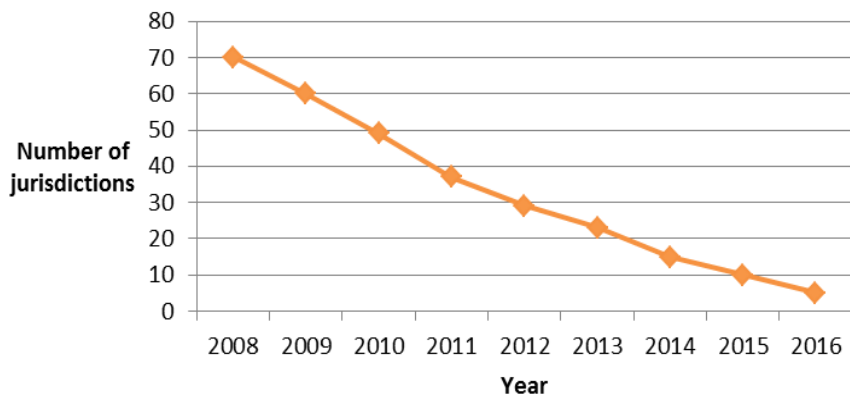




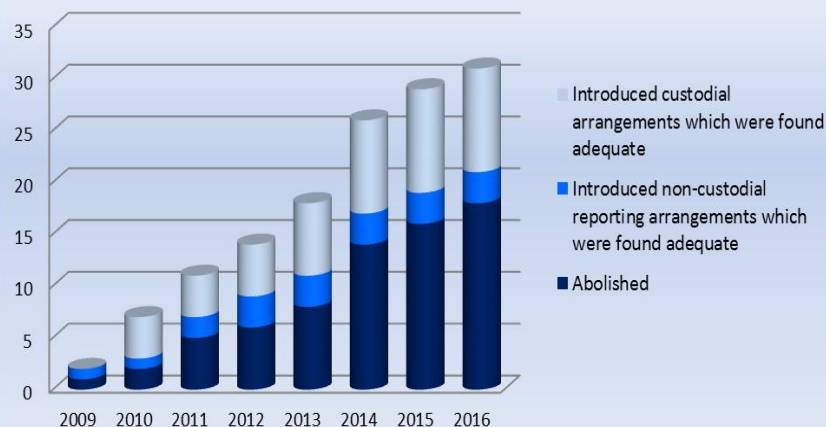
# State of Play - EOIR

- **Elimination of strict bank secrecy** for EOI purposes by 65 jurisdictions since the peer review process began
- 18 jurisdictions have taken steps to **abolish bearer shares**. Another 13 jurisdictions have taken steps to **immobilise them**

Jurisdictions with restrictions on access to bank information for EOI purposes



Abolition and immobilisation of bearer shares (cumulative)





# EOIR Ratings

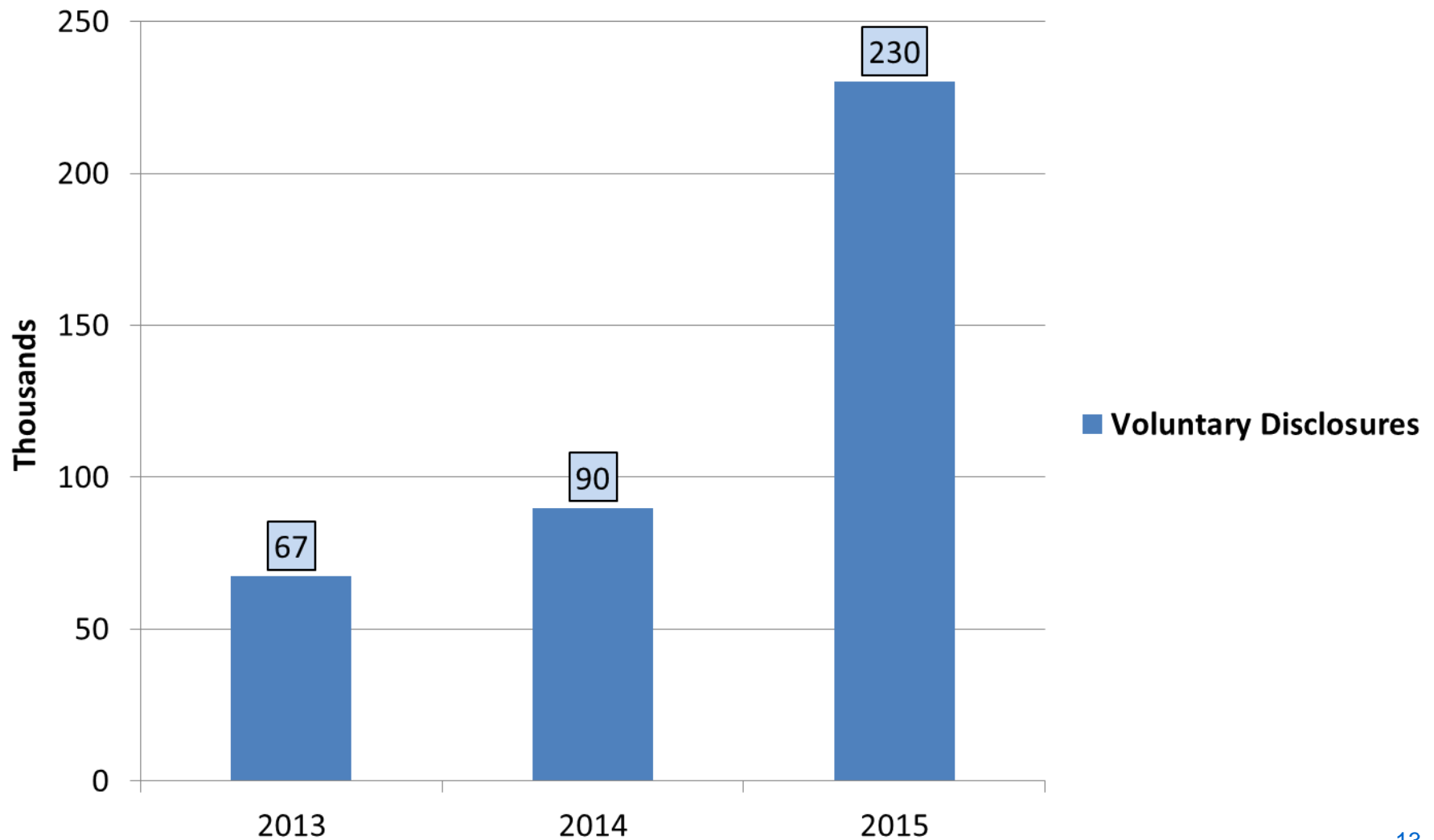
Jurisdiction ratings following a Phase 2 review	
Australia, Belgium, Canada, China (People's Republic of), Colombia, Denmark, Finland, France, Iceland, India, Ireland, Isle of Man, Japan, Korea, Lithuania, Mexico, New Zealand, Norway, Slovenia, South Africa, Spain, Sweden	<b>Compliant</b>
Albania, Argentina, Aruba, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belize, Bermuda, Botswana, Brazil, British Virgin Islands, Brunei Darussalam, Bulgaria, Burkina Faso, Cameroon, Cayman Islands, Chile, Cook Islands, Cyprus, Czech Republic, El Salvador, Estonia, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Germany, Ghana, Gibraltar, Greece, Grenada, Guernsey, Hong Kong (China), Hungary, Israel, Italy, Jamaica, Jersey, Kenya, Latvia, Lesotho, Liechtenstein, Luxembourg, Macao (China), Malaysia, Malta, Mauritania, Mauritius, Monaco, Montserrat, Morocco, Netherlands, Nigeria, Niue, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russia, San Marino, Senegal, Singapore, Slovak Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Seychelles, Switzerland, Turks and Caicos Islands, Uganda, United Kingdom, United States, Uruguay	<b>Largely Compliant</b>
Andorra, Anguilla, Antigua and Barbuda, Costa Rica, Curaçao, Dominica, Dominican Republic, Indonesia, Samoa, Sint Maarten, Turkey, United Arab Emirates	<b>Partially Compliant</b>
Marshall Islands, Panama	<b>Non Compliant</b>
Federated States of Micronesia*, Guatemala*, Trinidad and Tobago*	
Jurisdictions not yet rated because they cannot move to Phase 2	
Kazakhstan**	

\* This jurisdiction has been rated overall Non-Compliant on an exceptional basis without having undergone a Phase 2 review as elements critical to ensuring an effective exchange of information in its legal and regulatory framework remained not in place for more than 2 years after its Phase 1 review. Individual ratings for each element are not assigned for the jurisdiction.

\*\* Kazakhstan has until 30 November 2016 to request an acceleration of its new review. If it does not make such a request, or if the request does not demonstrate that it has made sufficient progress, then it would be rated Non-Compliant.

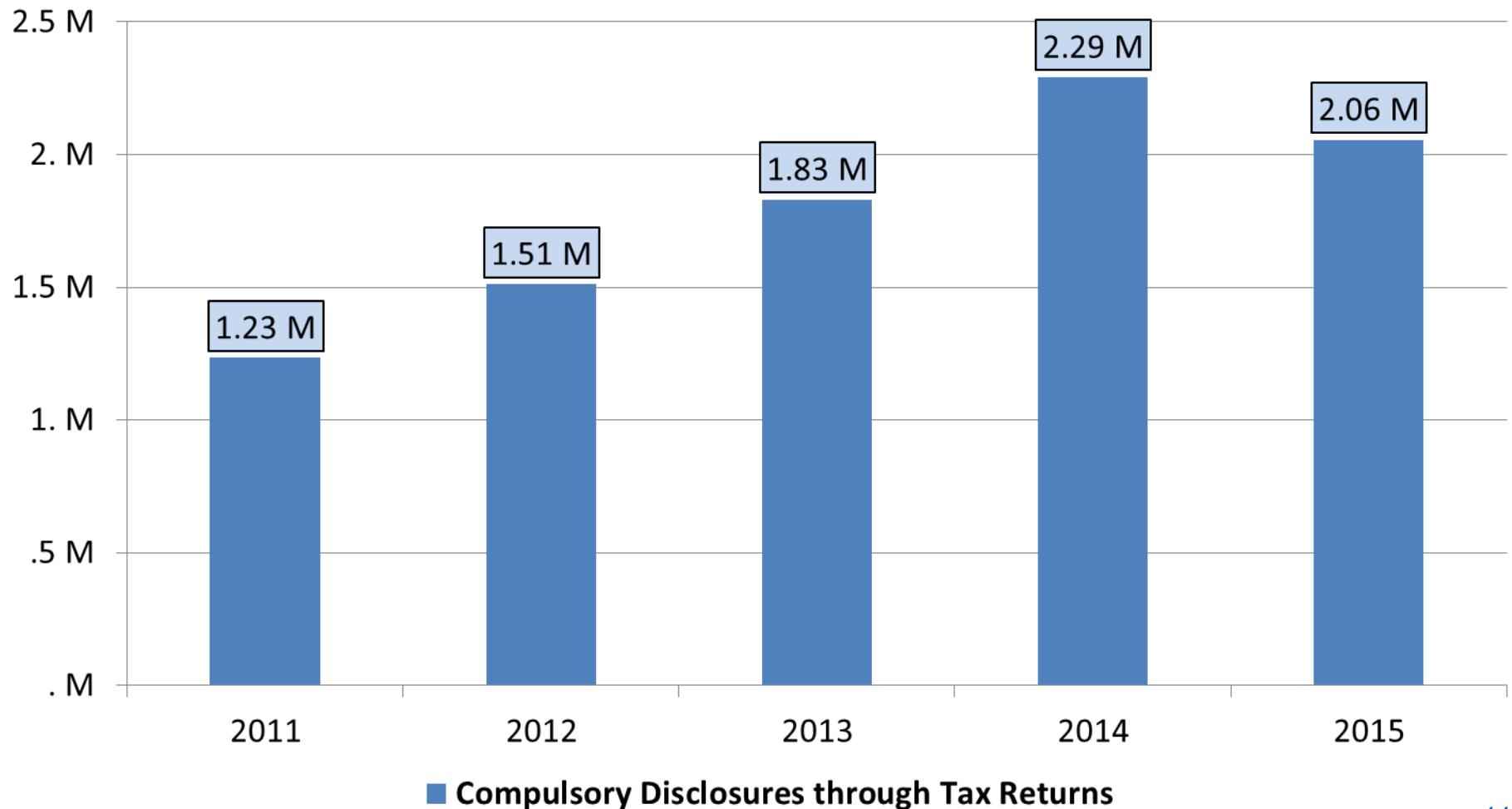


## Numbers of Voluntary Disclosures





# Numbers of Compulsory Disclosures through Tax Returns





## What is next for EOIR?

- Second round of reviews with a focus on beneficial ownership, group requests and quality of requests
  - First ratings to be published by August 2017
- Fast track procedure:
  - To evaluate, on a provisional basis, whether a jurisdiction has made sufficient progress in implementing the existing EOIR standard to be eligible for an upgrade in its ratings
    - Results by July 2017, to be considered for the listing exercises
    - Followed by a full review in the second round



# Impact of increased cooperation

- Increase in number and volume of information exchanged
- Increase in number of countries making requests
- Improvements in quality of responses and turn around times
- Increase in number of voluntary disclosures
- Increase in reporting of foreign bank accounts





# Curbing tax avoidance

- CRS has a deterrent effect and enhances tax compliance
- CbC and exchange of tax rulings stimulate consistent approach by taxpayers
- Tax Authorities have comprehensive picture of taxpayers situation and in a better position to assess
- AEOI ignites voluntary disclosure
- Reduces information asymmetry for tax authorities





# Curbing tax avoidance

- AEOI will lead to more EOIR
- CbC and tax rulings may lead to more EOIR as well
- Tax transparency will lead to consistency of facts and correct tax assessments





# Conditions

- Good domestic legislative framework
- Effective tax authorities
- Efficient processing of information received
- Tax certainty for taxpayers
- Good communication, effective cooperation, and coordination between tax authorities





# Questions?



**Thank You**

**Please visit us at**

**<http://www.oecd.org/tax/transparency/>**