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It's a real pleasure to be here today. On behalf of the OECD, I would like to thank our Singapore hosts for their hospitality and efficiency in putting together this meeting. Not an easy task when they also had to deal with Ferraris racing around at 200 mph. But this just illustrates the "can do" mentality of Singaporeans.

The chair emphasized the progress that we have made since Mexico. This progress is not just on the substance of our work but also in the way we have developed a mutual understanding and respect for each other. One of the strengths of this forum is its inclusiveness. The way it bridges divides and encourages a consensus approach.

I will address four issues which will affect the environment within which the Forum operates.

I. The impact of the crisis and governments' attitudes towards tax compliance.

The crisis has reinforced the relevance of the Forum's work to improve transparency and to achieve a better Exchange of Information. Many governments are now facing large budget deficits (on average 8.8% of GDP in the OECD area). Debt to GDP ratios are approaching 100%. These are unprecedented levels in peace time and the process of fiscal consolidation is unlikely to be achieved just by cutting expenditures. Tax revenues will have to increase and better compliance, especially offshore compliance, is going to be part of the process of consolidation.



Just last week 43 Commissioners met last week in Turkey at the OECD's Forum on Tax Administration. They issued a communiqué which confirmed their commitment to deal with offshore non compliance and they established two networks of FTA officials:

One to monitor developments of HNWI will be based upon a report that was issued in 2009 and which analyzed the risks that are attached to this segment of the taxpaying population and provided guidance on how tax administrations can best respond to these risks.

They also agreed to create a second network to monitor offshore compliance initiatives. A recent publication sets out some best practices on the design of such initiatives.

Commissioners were also concerned by non compliance by MNEs and set out a series of guidelines which governments could use to carry out joint audits.

This renewed emphasis on offshore compliance is however not just a question of raising more revenue. It's also about showing that the costs of the crisis are being fairly shared. As we exit from the crisis, I am confident that we will see a continued emphasis on achieving better tax compliance, as part of ongoing efforts by governments to maintain the integrity of the tax system

II. Cooperation between tax and other law enforcement agencies.

This is another trend that is emerging and it will indirectly affect the Forum's work. Increasingly, governments are recognising that many illicit activities (money laundering, bribery, tax evasion) all thrive in a similar climate. A climate characterized by a lack of transparency, weak regulations and an unwillingness to cooperate to counter abuse.

Governments have responded by encouraging a closer cooperation between financial intelligence units, tax authorities and other law enforcement agencies. In some there is already a very close cooperation between these agencies, including exchanges of staff. This recognizes that tax auditors are very good at identifying suspicious transactions and that financial intelligence units have access to useful information which is relevant to the work of tax authorities.

The international community is also recognizing these linkages. The FATF is now close to making tax evasion a predicate offence for money laundering which would have a major impact on the attitude of the financial sector to tax evasion and which will also increase the effectiveness of combating tax crimes.



Another example of this close cooperation is the way in which countries have recognized that making bribes non deductible for tax purposes increases the cost of making a bribe. It may be hard to believe but just a decade ago bribes were deductible in more than half of OECD countries. They were, of course, never described as bribes but as commission payments, facilitation fees etc.

It is not only the public sector that is making these linkages. Increasingly, large corporations, particularly in the financial sector, are accepting that good tax compliance should be part of their good corporate governance agenda. Corporate boards are paying more attention to the financial and reputational risks involved in facilitating offshore non compliance.

Many of the largest international banks now have Codes of Good Conduct which explicitly say that their employees must respect not just the letter of the law but also the spirit of the law. This Forum can take part of the credit for this change in attitudes.

We at the OECD are building on these trends and in September we issued a framework for a voluntary code of conduct that may be used by governments and banks that want to enter into a relationship that is characterised by transparency, openness and the willingness to engage in a constructive dialogue.

What is interesting about all these developments is that tax compliance is no longer seen as a narrow technical issue but a part of the global integrity and global governance agenda.

III. The role of taxation in development

A third change in the environment within which the Forum operates is the way that tax is being put near to the centre of the development agenda. The UN Summit on the MDG recently issued a strong statement on the role that tax can play in achieving sustainable development.

The international community has embraced the concept that Tax and Aid, despite both being three letter words, have very different effects. Tax encourages accountability by governments to their citizens, aid to donors; tax is a sustainable and reasonably predictable source of revenue, aid is not. This



is not to suggest that tax should replace aid: on the contrary: the development community must see assistance given to improve tax capacity in developing countries not as “aid” but as an investment in the future of developing countries.

There are four components to this debate

1. Improving the tax capacity in LDC will lead to higher tax yields and a diversified tax structure which in turn will encourage greater accountability of governments to their taxpaying citizens.
2. The need for more transparency in the payment of taxes by MNEs in LDCs.
3. The third issue is that we need to work with LDCs to build up their capacity to implement effectively their transfer pricing rules.
4. Lastly, we need to address the way in which illicit flows undermine the revenue base of developing countries.

It is essential that the debate on these issues is based upon hard facts and a clear understanding of the concepts used. Here the recently created “Tax and Development” Task Force, which brings together LDC and OECD governments, as well as NGOs of business and other international organizations, can play a constructive role.

IV. A renewed emphasis on confidentiality and taxpayers’ rights

In recent years we have seen countries reinforcing measures to protect the information held by governments on their citizens. Data protection rules have been extended. Lawyers are increasingly making the link between human rights and privacy, on the one hand, and taxation on the other (rights however should always imply obligations). This is a debate which will impact on the ways in which tax authorities access, share and use information received from treaty partners. The key challenge for governments is to find the right balance between respecting the rights of taxpayers and achieving an effective EOI.

I hope that this brief survey helps you get a better understanding of the increasing importance of the work of the Global Forum in an environment in which is continually changing.