



TAX AND TRANSPARENCY FORUM, 2ND MAY 2012, LONDON
MAKING AUTOMATIC INFORMATION EXCHANGE
THE EFFECTIVE GLOBAL STANDARD

John Christensen, Director



“

*You need to understand,
John, that tax evasion
is a sport . .*

”

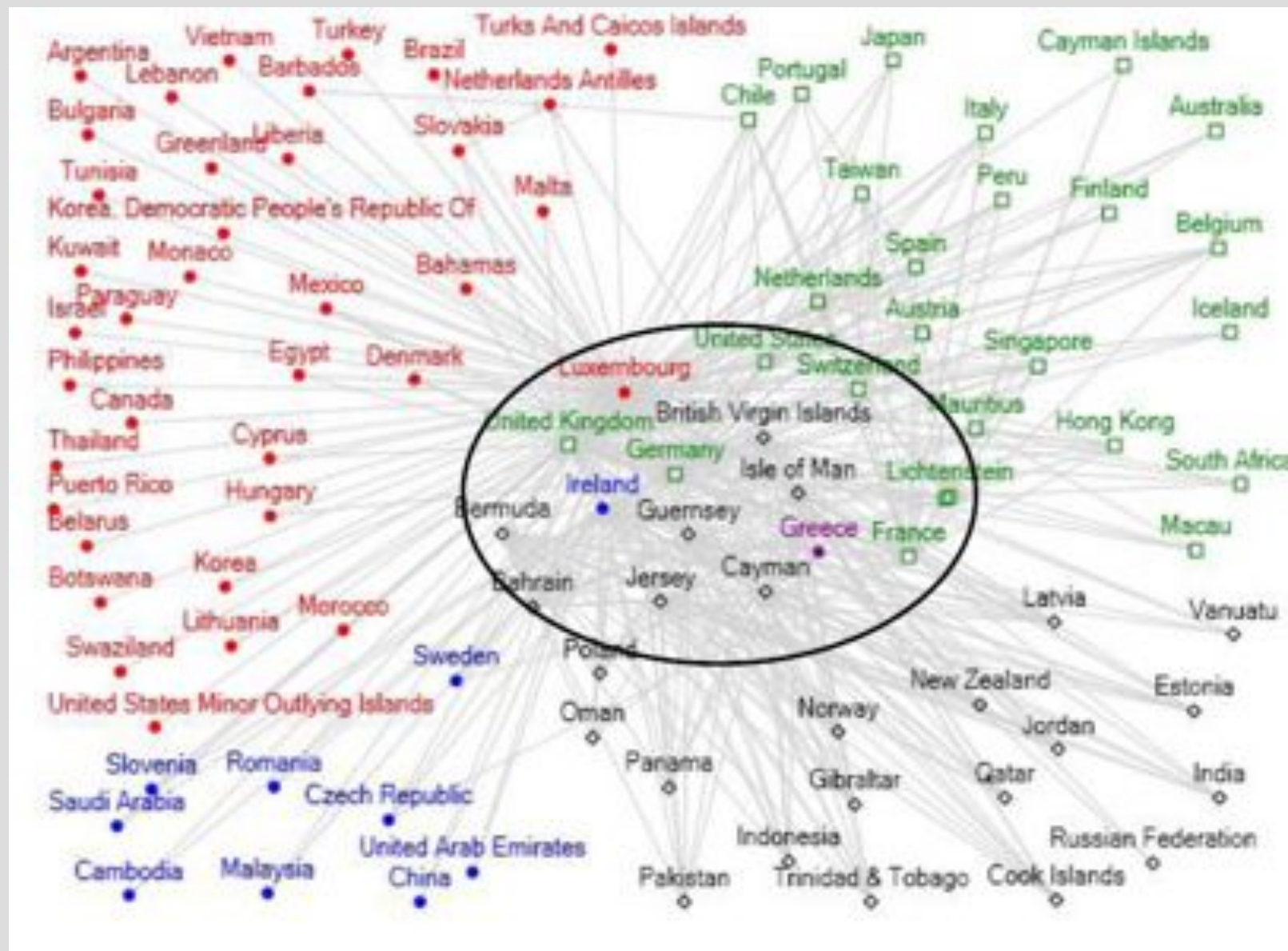
Prinz Nikolaus von und zu Liechtenstein

Alpbach Forum

Austria

21st August 2008

(responding to my keynote speech
The Hitchhiker's Guide to Nowhere)



International Monetary Fund
Understanding Financial Interconnectedness
 October 2010

Time to black-list the tax haven whitewash



<< Part of the problem is that havens sign a Tax Information Exchange Agreement with other countries, under which they agree to share some information about people with accounts in their jurisdiction.

But a country cannot use a TIEA to ask for general information about its citizens' assets and income. Instead it must already know (and specify) who the tax cheats are, and what they are suspected of, to force the haven to act.

This is better than nothing – but does little to deter tax evaders. >>

4th April 2011

G20 – 2009: A wasted opportunity?

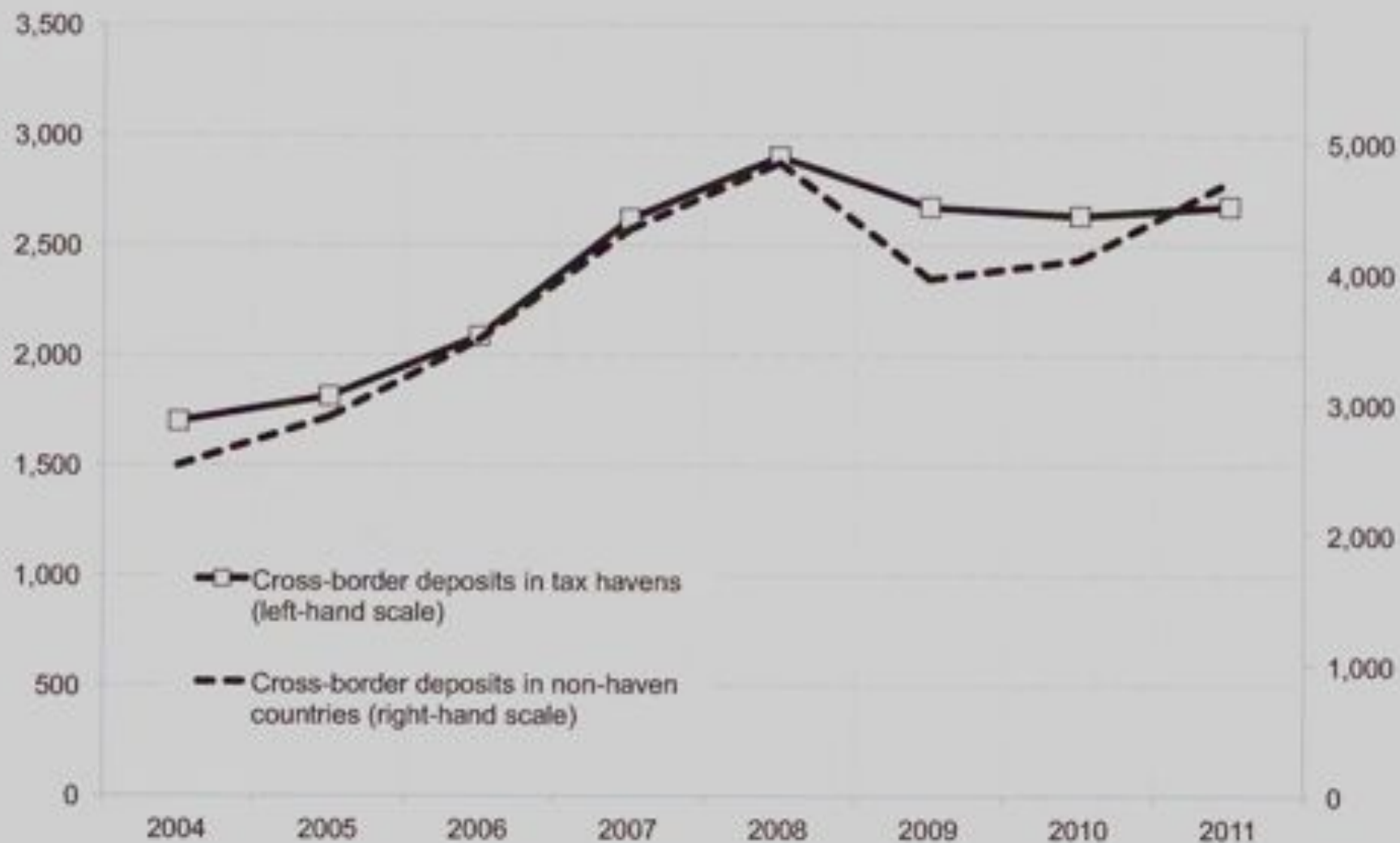
<< *The effectiveness of the G20 tax haven crackdown is highly contested.*

A positive view asserts that treaties significantly raise the probability of detecting evasion and greatly improve tax collection (OECD, 2011). According to policy makers, “the era of bank secrecy is over” (G20, 2009).

A negative view, on the contrary, asserts that the G20 initiative leaves considerable scope for bank secrecy and brings negligible benefits (Shaxson and Christensen, FT, 2011). >>

Source: *The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown*, Johannesen, N, and Zucman, G., 2012

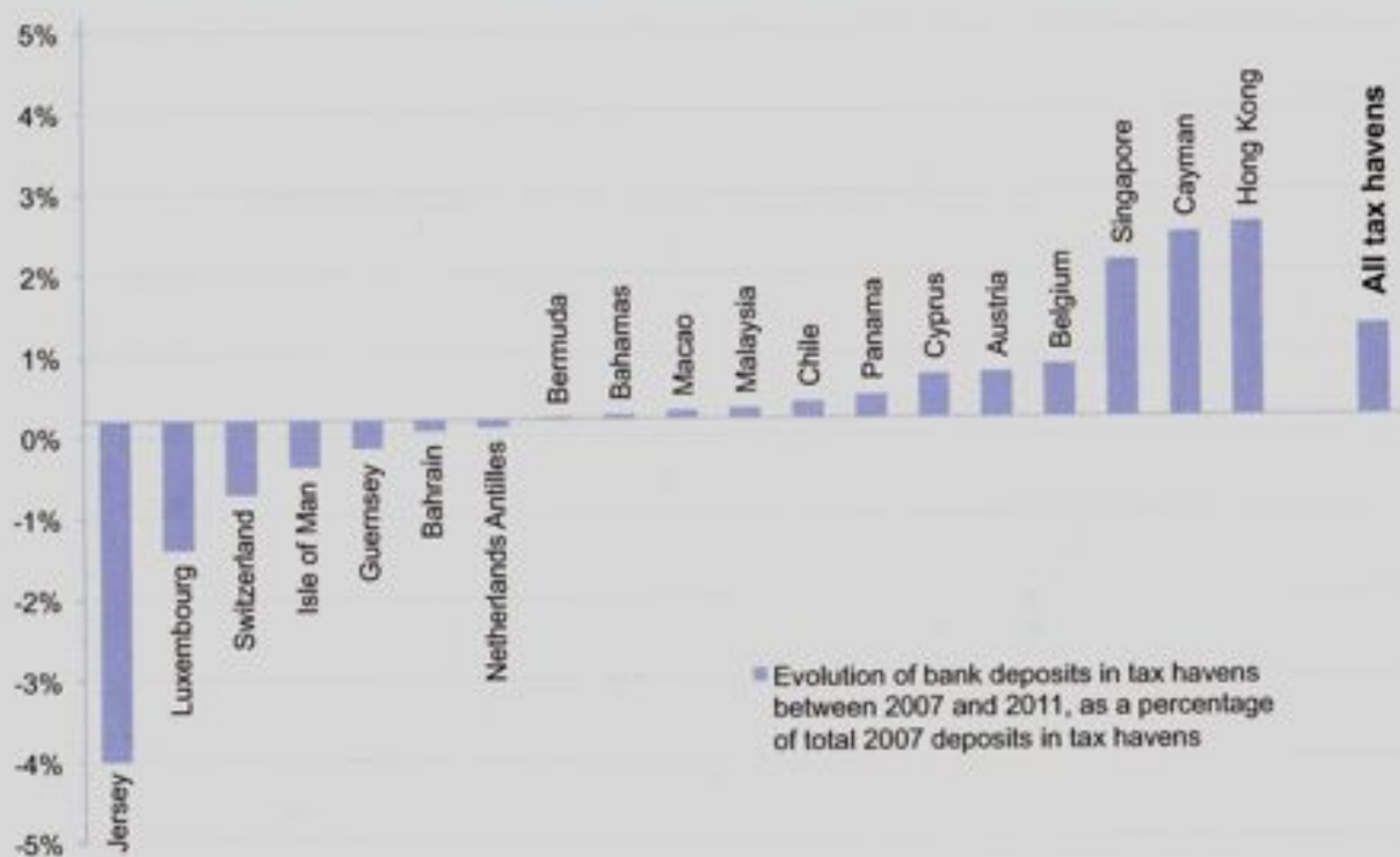
Figure 2: On Aggregate, Money Did Not Flow Out of Tax Havens



Note: The figure charts the evolution of the cross-border deposits in tax havens and in non-haven countries. All figures are yearly averages (first semester-average for 2011) and expressed in billion U.S. dollars.

Source: BIS Locational banking statistics, Table 3B, <http://www.bis.org/statistics/bankstats.htm>.

Figure 4: The G20 Initiative Caused a Modest Relocation of Deposits Between Havens



Note: The figure charts the evolution of the foreign-owned deposits in each BIS-reporting tax haven. We compare first semester of 2011 averages with 2007 averages (except for Cyprus which started reporting in 2008q4 and Malaysia which started in 2007q4), and express the difference as a fraction of the deposits held in all tax havens in 2007 (\$2,600bn).

Source: BIS Locational banking statistics, Table 3B, <http://www.bis.org/statistics/bankstats.htm>.

"The G20 countries should take the lead in agreeing to automatic exchange of tax related information with each other, irrespective of artificial distinctions such as past or present, for tax evasion or tax fraud, in the spirit of our London Summit that 'the era of bank secrecy is over'."

Manmohan Singh
Prime Minister of India,
November 2011

Automatic exchange is recognised as the effective global standard

- (1) Eliminates the requirement for a smoking gun to trigger an 'upon request' demand for information exchange;
- (2) Makes it possible to tax the principal (not just income and capital gains);
- (3) Actively deters tax evasion;
- (4) Encourages taxpayer compliance with the domestic polity and the social contract.

Deliberately Toxic

- The withholding approach delegates tax collection to a foreign entity;
- Withholding limits information exchange and blocks the administrative assistance needed to tackle cross-border tax evasion on principal;
- Automatic exchange can be negotiated on multilateral basis: the withholding approach is strictly bilateral;
- Claims about the potential yield of Rubik are exaggerated – too many loopholes are built into the existing agreements

TAX HAVENS

“They serve no socially useful function. They exist only to circumvent norms. They undermine good governance.”

Joseph Stiglitz

Recommendations to G20

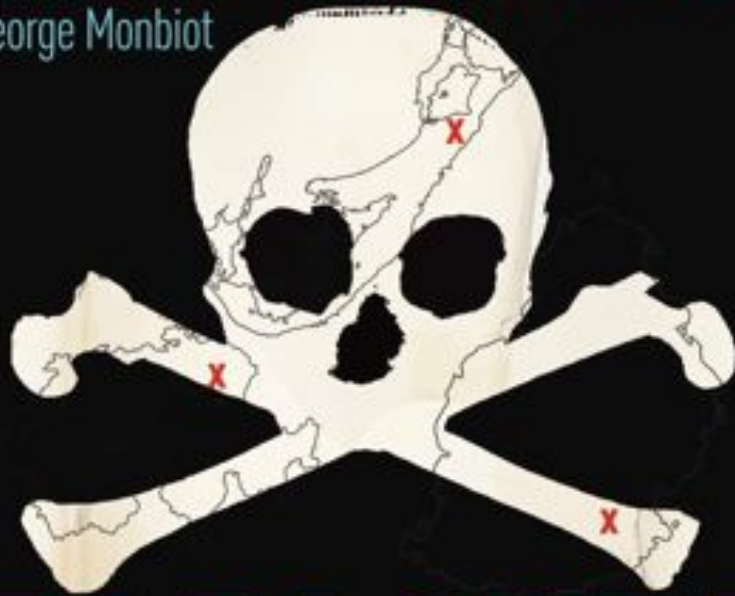
Adopt automatic information exchange as the effective international standard;
sanction non-cooperative jurisdictions;

Assist developing and transition countries with building capacity to handle automatic information exchange;

Clarify the role of banks, law firms, trust administrators, and other institutions, as cross-border tax intermediaries

'PERHAPS THE MOST IMPORTANT BOOK
PUBLISHED IN THE UK SO FAR THIS YEAR'

George Monbiot



TREASURE ISLANDS

TAX HAVENS AND THE MEN
WHO STOLE THE WORLD

NICHOLAS SHAXSON

VINTAGE

<< They say that the *ancien regime* in France fell in the 18th century because the richest country in Europe, which had exempted its nobles from taxation, could not pay its debts. France had become . . . a failed state. In the modern world the nobles don't have to change the laws to escape their responsibilities: they go offshore. >>