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At G-20, Sarkozy Names Switzerland, Liechtenstein Among 11 'Tax Havens'

By Rick Mitchell

CANNES, France—French President Nicolas Sarkozy Nov. 4 named 11 jurisdictions that he said the world's leading economies consider "tax havens," because they have failed to adequately adopt or implement legal systems to allow tax information exchange and transparency.

"Countries that remain tax havens with banking secrecy will have to answer to the international committee," Sarkozy said. However, the top tax official of the Organization for Economic Cooperation and Development warned against a general tar and feathering of the 11 countries, which he said all have different legal situations.

Group of 20 country leaders met Nov. 3-4 in Cannes to approve a comprehensive action plan to boost the world's ailing economy and prevent a recurrence of the 2007 financial crisis that triggered the 2008 global recession.

The summit closes France's yearlong G-20 presidency, which named among its many ambitious priorities fighting tax evasion as well as the idea of creating a global financial transactions tax to halt abusive market speculation and support development projects to aid poor countries.

In his final press conference describing summit outcomes, Sarkozy said the leaders had made progress on both these tax goals, among others. G-20 leaders here also ceremonially signed a multilateral agreement aimed at fighting banking secrecy and tax evasion by improving tax information exchange and transparency.

Countries Identified as Havens

Sarkozy said that in a report to the G-20, the Global Forum on Transparency and Information Exchange for Tax Purposes fingered Antigua, Barbados, Botswana, Brunei, Panama, the Seychelles, Trinidad and Tobago, Uruguay, and Vanuatu as lacking legal systems that allow exchange of information for tax purposes.

OECD hosts the Global Forum at its Paris headquarters.

Sarkozy said the forum report named two more, Liechtenstein and Switzerland, that the forum judged had adequately implemented information exchange mechanisms that they have recently adopted.

The French president said that, by naming the countries, he was keeping a promise made at the 2009 London G-20 leaders' summit to name and shame uncooperative jurisdictions that use banking secrecy to prevent tax transparency and information exchange (62 DTR I-1, 4/3/09).

"The credibility of G-20 commitments against tax havens depends on the systematic publication, at each summit, of a list of the countries that do not do what is necessary to stop unacceptable behavior," he said.

He cited significant G-20 progress against tax havens through the forum's work since 2009, but he said "more needs to be accomplished."

Nongovernmental organizations, which have previously criticized the sincerity of G-20 governments' efforts against tax evasion, hailed the announcement. “Where once we had only rhetoric, we now have the first shoots of political will. That is a welcome new development,” said David McNair, senior economic justice adviser at the London-based Christian Aid.

OECD Caution

Jeffrey Owens, head of OECD's Center for Tax Policy and Administration, told BNA that Sarkozy's naming of the 11 countries as “tax havens” should be considered with caution, because all these jurisdictions “have a variety of positions.”

“You can't just put them all together as tax havens,” Owens said.

The report cited by Sarkozy, and also in the G-20 final communique, is the Global Forum's summary to the G-20 of results from 59 reports conducted by its peer review group over 18 months (208 DTR I-3, 10/27/11).

The Global Forum got a huge boost after the London summit asked OECD to manage its fight against tax evasion and has seen its membership and activities soar as a result.

It has 105 member countries and territories, including OECD's 34 advanced country members, as well as the European Union and non-OECD Group of 20 countries.

The peer reviews evaluate jurisdictions' commitment to tax information exchange on request and transparency standards as set out in Article 26 of OECD's Model Tax Convention and make recommendations for regulatory and other changes to enable them to do this.

OECD has said implementation of the standard is key to eradicating banking secrecy that facilitates tax evasion and avoidance.

Gurria: 32 Countries Have Made Changes

The organization said the Global Forum has yielded more than 700 new tax information exchange agreements since the London summit. NGOs, particularly the London-based Tax Justice Network, have questioned the effectiveness of the agreements because they call for information exchange on request, not automatic exchange.

The agreements require tax administrations to provide information upon request by other administrations with which their countries have signed agreements.

The organization has called the peer reviews the first step in a three-year process to ensure member jurisdictions implement and comply with agreements they have signed and that signed agreements meet the OECD standard.

OECD Secretary General Angel Gurria has said the peer reviews have led 32 countries to make regulatory changes to comply with their recommendations. The peer review group in June found “serious” problems with U.S. information exchange but found the United States's overall information exchange good (210 DTR I-4, 10/31/11).

“Out of the 59 peer reviews, 11 found problems serious enough to hold countries back from advancing to the next phase, and these were the ones cited by Sarkozy,” said Owens, but he emphasized that the forum's work “is just a beginning.”

“We are making progress,” Owens said.

In particular, he said, Switzerland and Liechtenstein have committed to make necessary changes to improve their information exchange.

‘We Don't Want Tax Havens.'

At its fourth plenary session Paris Oct. 25-26, the forum's chairman, Mike Rawstron, declined to “single out countries for their shortcomings. That is not why we are here.”

But Sarkozy didn't hesitate to point fingers based on the forum's work. “We want to make it clear: We don't want tax havens,” he said.