



International Tax

## OECD Tax Alert

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### G8 communiqué advocates multilateral exchange of information

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World leaders attending the G8 meeting in Northern Ireland issued a communiqué on 18 June 2013 that endorses the multilateral sharing of tax information and the promotion of greater transparency in order to discourage tax evasion.

The communiqué confirms earlier anti-avoidance positions adopted by supra-national bodies such as the G20 and the EU (the latter with statements especially on transparency and country-by-country reporting), provides for new initiatives and converts what previously were theoretical positions into concrete action points. The communiqué requests calls on the OECD to: (1) develop a standard template for country-by-country reporting of profits earned and taxes paid; and (2) enhance the quality and availability of information on comparable transactions. Just as the G20's request at the end of 2012 led to the OECD issuing its report on Base Erosion and Profit Shifting (BEPS report) in early 2013, the G8's new mandate is expected to lead to further OECD studies.

The communiqué states that developing countries should be included in the initiative, as the support of non-G8 countries is crucial to its success. For example, the OECD BEPS report is referred to in the context of G8's support for the principle that developing countries should be able to collect the taxes they are entitled to and should have access to the global tax information they need for this purpose. At the same time, the communiqué welcomes the OECD's feasibility study for its "Tax Inspectors without Borders" proposal to assist tax administrations investigate specific and complex cases.

As might be expected, the communiqué endorses the recent OECD report, "A Step Change in Tax Transparency," drafted specifically for the summit, and expresses support for the swift implementation of the multilateral automatic exchange of information. (The OECD report released on 18 June outlines the steps needed to implement an effective automatic exchange of information model, such as enacting broad framework legislation to facilitate the expansion of a country's network of partner jurisdictions; selecting the legal basis for the exchange of information; adapting the scope of reporting and due diligence requirements, coordinating guidance; and developing common or compatible information technology standards.)

The general tenor of the communiqué is to focus on transparency rather than any need to make substantial changes in countries' tax systems, the interaction of

domestic systems or the international taxation rules in tax treaties. It seems likely that the G8 probably does not wish to pre-empt the OECD's efforts in these areas, preferring to leave them to be dealt with in the follow up to the BEPS report and the OECD's Comprehensive Action Plan, which is to be published before the upcoming G20 summit in July. This, coupled with the uncertain future of the BEPS initiative, perhaps explains why the communiqué concentrates on the exchange of information and attempts to promote transparency. Exchange of information has no downside, tends to reconcile conflicting national interests where actual taxation is concerned, and at the same time creates an impression of progress.

Several paragraphs in the communiqué are devoted to the notion of transparency in relation to the ultimate beneficiary of income. It is recommended that National Action Plans should be drawn up to make information available on the ownership of companies and trusts, for example, by establishing central registries to report on the beneficial ownership of such entities. An annex to the communiqué summarizes the recommendation in more concrete terms: information on the beneficial ownership of a company should be accessible to tax administrations and other relevant authorities; it should be clear who has ownership and control of a company, and its beneficial ownership and other basic information should be adequate, accurate and current; trustees of a manifest trust should be in possession of information as to the trust's beneficial owners, including information on beneficiaries and settlors; and devices that are typically used to thwart transparency, such as bearer shares and nominee shareholders, should be prevented. It also is recommended that the rules envisaged should be supported by the imposition of effective, proportionate and dissuasive sanctions on those that do not comply with their obligations.

The G8 communiqué is another step along the path towards combatting tax evasion and tax avoidance, and proposes a number of interesting initiatives. As the adoption of the recommendations would seem to require a considerable shift in prevailing attitudes, it may take a considerable amount of time to implement them in practice. In that light, the OECD's projection that all of its recommendations should be finalized in 2014 seems somewhat optimistic.

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