



OECD Delivers On G20 Tax Blacklist Pledge, by Jason Gorringer, Tax-News.com, London

The Organisation of Economic Cooperation and Development has published a list of jurisdictions it believes have not implemented internationally agreed standards of tax cooperation, following through on the G-20 nations' pledge to take action against 'non cooperative' territories in the interests of maintaining stability in the global financial system.

The list was published on April 2, in tandem with the G20 communique which sets out the major economies' vision of the future global regulatory and economic landscape. "We stand ready to deploy sanctions to protect our public finances and financial systems," reads the communique, presented by British Prime Minister Gordon Brown, which goes on to declare that: "The era of banking secrecy is over."

The list is split into three parts: the first list contains jurisdictions which are deemed to have "substantially implemented" the agreed tax cooperation standard; the second contains the names of jurisdictions which have committed to, but have not yet implemented the standard; and the last list names those jurisdictions which have not committed to the standard and will presumably face sanctions of some sort unless they fall into line. At the moment, only four jurisdictions fall into the latter category, namely Costa Rica, Labuan, the Philippines and Uruguay.

Unsurprisingly, the largest economies of the G20 group, such as the US, the UK, Germany and France, appear on the OECD's 'white list.' But there are also a number of offshore and low-tax jurisdictions which appear in this list (including a number which have been demonized by politicians and the mainstream media in the past several months), including Barbados, Cyprus, Guernsey, Ireland, Isle of Man, Jersey, Malta, Mauritius, Seychelles, the United Arab Emirates and the US Virgin Islands.

The vast majority of offshore and low-tax territories (categorized by the OECD as 'tax havens'), fall into the second tier of compliance. While many of these jurisdictions have been busily concluding bilateral tax agreements in recent weeks in a bid to stay on the right side of the latest offshore crackdown, it would appear that they have more work to do to ensure that they avoid the G20 sanctions threatened by Brown, Obama and other world leaders -although the communique does not detail what is in store for these jurisdictions should sanctions be applied. Notable inclusions in the second list are Austria, Belgium, Luxembourg and Switzerland, although, sub-categorized as 'other financial centres', they have at least escaped the ignominy of being labeled as tax havens.

Welcoming the outcome of the G20 meeting, OECD Secretary General Angel Gurría said: "Recent developments reinforce the status of the OECD standard as the international benchmark and

represent significant steps towards a level playing field. We now have an ambitious agenda, that



the OECD is well placed to deliver on. I am confident that we can turn these new commitments into concrete actions to strengthen the integrity and transparency of the financial system”.

However, others believe that if the playing field is indeed uneven, it is now tilted towards the large onshore countries, after many years of sustained pressure on offshore financial centres to improve their regulatory and enforcement systems.

Commenting on the outcome of the G20 meeting and the publication of the OECD blacklist, David Harvey, Chief Executive of the Society of Trust and Estate Practitioners said: "STEP has concerns that, historically, regulatory standards espoused by OECD member states as international standards have not been applied in those very same states. Where standards of regulation are applied selectively, or warnings of risk are ignored, the global regulatory system will be inadequate. Indeed the IMF has made it clear that large economies often lag behind well-regulated offshore centres."

He added: "STEP urges the G20 to ensure that if regulation is to be effective it must be extended to the G20's own membership."