

New World: New Tax Standards The Role of the OECD

Changing Times: The Asia-Pacific Challenge
Asia-Pacific Tax Summit
19-20 November, 2008

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www.oecd.org/ctp





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Part I: The OECD



- Membership: 3 NAFTA, 4 Asian-Pacific countries and 23 European countries
- Setter of “soft” and occasionally “hard” rules
- A forum for discussing the economic and social challenges of interdependence and globalisation
- A provider of comparative data, analysis and forecasts to underpin multilateral co-operation





The Committee on Fiscal Affairs



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What are we?

A forum for senior policy makers and administrators

What do we cover?

All international and related domestic tax issues

How are we organised?

- Biannual meeting
- Eight subsidiary bodies
- Centre for Tax Policy and Administration





Major outputs of the CFA



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- Model Tax Convention
- Transfer Pricing Guidelines
- Standards on Exchange of Information
- Best Practices Guidelines in Tax Administration
- International VAT/GST Guidelines
- Comparative Analysis and Statistics on Tax Levels and Structures
- Anti-Bribery Convention (tax deductibility)





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Business participation in OECD's tax work



- Business and Industry Advisory Committee to the OECD (BIAC)
- Technical Advisory Groups, Business Advisory Groups, etc.
- Discussion drafts (www.oecd.org/ctp)
- Public consultations





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Limited Membership, Global Reach



Why involve NOEs ?

- **Global guidelines need global acceptance**
- **To assist in the development of their tax systems**

How ?

- **Observers**
- **Developing partnerships**
- **Multilateral, regional and in-country programmes**
- **Over 600 events with NOEs including around 14,000 officials**

Outcomes

- **Thirty NOEs set out position on Model. Many NOEs basing transfer pricing legislation on 1995 Guidelines**
- **A more coherent global tax environment for MNEs**





Enlarging the OECD



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- The candidates: Estonia, Slovenia, Israel, Chile and Russia
 - A 2-5 year process
- And at the same time enhancing our involvement with the BRICS (Brazil, India, Indonesia, China, South Africa) with a view to possible accession
- Continued deepening of partnerships with ASEAN countries





Part II: Forum on Tax Administration



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Meetings of Tax Commissioners – most recent January 2008

Working on:

- Comparative Information Series - 2008
- Developments in the use of technology to improve taxpayer services
- Standard Business Reporting
- Monitoring Taxpayer Compliance
- Innovative Risk Treatment and Evaluation (SMEs)
- Tax and Governance





Study into The Role of Tax Intermediaries

Process:

- Study led by HMRC and the OECD Secretariat
- Terms of Reference on OECD website
- Very extensive consultation with business and major accounting and legal firms
- Cape Town Communiqué – 45 countries represented





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Study into The Role of Tax Intermediaries Conclusions and Outcomes

- Aggressive tax planning remains a concern
- Tax Intermediaries play a positive role
- ***Demand for*** as well as the ***supply of*** aggressive tax planning needed to be addressed





Conclusions and Outcomes

- Consultation confirmed that there is significant scope to influence the **demand** for aggressive tax planning
- Risk management is an essential tool for revenue bodies
- Risk management relies on information
- Disclosure from taxpayers important





Conclusions and Outcomes

- Revenue bodies need to display five attributes:
 - Understanding based on commercial awareness
 - Impartiality
 - Proportionality
 - Openness (disclosure and transparency)
 - Responsiveness

Enhanced Relationship

“If revenue bodies display these five attributes and have effective risk-management practices in place, this should encourage large corporate taxpayers to engage in a relationship with revenue bodies based on *co-operation and trust...*”





Applying Enhanced Relationship to Banks



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- Covers banks' proprietary trading and bank clients' tax
- Consultation process aimed at better mutual understanding
- Next Steps: Banks Project
 - Consultation Paper on OECD website – December 2008
 - Consultation process with stakeholders
 - Report to FTA May 2009





Characteristics of HNWI's



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- Important contribution made by HNWI's
- Linked by scale, complexity, access to tax products, offshore opportunities
- Not homogenous
- Changing environment – greater transparency and international cooperation
- Threshold definitions for each country
- Focus on improving compliance relationships





HNWIs- Framework for voluntary disclosure



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- Diminishing numbers of jurisdictions with excessive banking secrecy
- Are bank advisors prepared to take the risk of imprisonment (UBS)?
- Are taxpayers willing to unwind?
- Spread voluntary disclosure
- Fine line between incentivising and rewarding
- Product ruling regimes





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Part III: Transparency, Exchange of Information and the Global Economy



Understanding and Exploiting the Current Political Environment





The Political Climate is Changing



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- The US Stop Tax Haven Abuse Bill
- The outcome of the Doha conference in November 2008 will emphasise the role of tax compliance to achieve the Monterrey consensus
- Liechtenstein
- Tax amnesties and voluntary compliance programmes are spreading
- The EU savings directive is moving towards Exchange of Information
- The G-20 Washington Statement





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Current Position in Hong Kong and Singapore



The Facts

- All countries have bank secrecy
- But for the vast majority this does not act as a barrier to effective tax co-operation with other countries
- Combination of international and domestic tax interest requirements inhibits effective cooperation





OECD Objectives



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- What does the OECD seek?
 - Improved transparency
 - Improved exchange of information
 - A co-operative approach
- What is not sought?
 - Harmonization or setting minimum tax rates
 - Impinging on national fiscal sovereignty
 - An unfair competitive advantage for OECD financial centres





Recognizes

- Interest of government in protecting integrity of tax system and confidentiality of taxpayer information
- Interest of business community in avoiding excessive burden
- Countries' rights to tailor their own tax systems to their own needs

The Way Forward

- Exploiting the full potential of Singapore





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Part IV: The Current Financial Crisis: The Tax Dimension



- How far has tax contributed to the crisis?
- What are the budgetary implications:
 - For revenue?
 - For expenditures?
- How will governments respond?
- How far should tax be part of the solution?
 - Level the playing field between on and offshore
 - Ensuring the tax and financial regulations provide the same signals





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Part IV: The Current Financial Crisis: The Tax Dimension



Some open questions

- Do we need to review tax treatments of sovereign wealth funds, private equity, or hedge funds?
- Will the existing rules prevent shifting of banking losses / debt into high tax countries?
- Will governments force nationalised banks to review their tax strategies?

