

OECD Issues Latest Tax Transparency Ratings

The Organisation for Economic Co-operation and Development's (OECD's) Global Forum on Transparency and Exchange of Information for Tax Purposes has issued 12 new reports that highlight action being taken by jurisdictions to implement its international standard for the exchange of information on request.

The OECD has published four new Phase One reports, which assess jurisdictions' legal and regulatory framework for transparency and exchange of information. As a result of these reviews, Colombia, Latvia, and Saudi Arabia qualify for the next stage of the review process, while the peer review of The Federated States of Micronesia (FSM) determined that the jurisdiction does not have in place an adequate legal framework to exchange information effectively, and therefore did not qualify to progress on to a Phase Two review.

The review of FSM was conducted under the special procedure for non-members, which ensures that jurisdictions do not gain a competitive advantage by refusing to implement the international standard or by failing to participate in the Global Forum. The FSM was identified in 2012 as a relevant jurisdiction for the Global Forum's work due to development of a captive insurance industry.

The Global Forum also published reports on territories' progress under Phase Two, which review exchange of information practices. Ratings for compliance with individual elements were issued for four jurisdictions.

Barbados received an overall rating of "Partially Compliant," due, in part, to gaps in its network of agreements to exchange information. Malaysia and the Slovak Republic received an overall rating of "Largely Compliant," and Slovenia was rated "Compliant."

Four supplementary peer review reports were also published, which assessed progress made by jurisdictions to address shortcomings identified in their legal frameworks and for the exchange of tax information on request.

Botswana and the United Arab Emirates have been permitted to proceed to the next stage of their respective reviews after implementing substantial changes. Mauritius was recognized as having implemented recommendations made by the Global Forum, and maintained an overall "Largely Compliant" rating.

The supplementary report on Panama points to several improvements in its legal framework, but concludes that further progress is necessary in a number of areas before it is able to qualify for a Phase Two review.

As legal and practical improvements are being made in many other jurisdictions, more supplementary reviews are expected to be pursued this year. To date, the Global Forum has completed 132 peer reviews and assigned compliance ratings to 54 jurisdictions that

have undergone Phase Two reviews. Four jurisdictions were seen as remaining non-compliant, three were deemed partially compliant, and 13 jurisdictions have been blocked from progressing to a Phase Two Review.

The Global Forum is currently revising its Terms of Reference for assessing jurisdictions in advance of a new round of reviews starting in 2016. These will look toward the implementation of the new standard for automatic exchange of information (AEOI) - the Common Reporting Standard - that was released by the OECD in February 2014. G20 finance ministers endorsed the CRS during a ministerial meeting in Sydney, Australia, committed to its implementation, and called on all financial centers to match their commitments.

The first meeting of the Global Forum's new AEOI group – currently comprising 54 jurisdictions – took place in Paris on March 27-28, 2014. Delegates focused on development of a monitoring and review mechanism for the new AEOI standard and on its global implementation, and in particular how to enable developing countries to participate in automatic exchange.

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