

**OECD SECRETARY-GENERAL  
REPORT TO G20 FINANCE  
MINISTERS**

**Istanbul, Turkey  
February 2015**

**G20** 

The background of the cover features a stylized world map in shades of green and blue, set against a large, abstract geometric shape that transitions from light green to dark blue. The map is centered and partially obscured by the 'G20' text and globe icon.



This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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Note by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

## **PART II**

# **Global Forum on Transparency and Exchange of Information for Tax Purposes**

## **Progress Report to the G20 Finance Ministers and Central Bank Governors: Update on Effectiveness and On-Going Monitoring**

## GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

### *Overview*

2014 was a momentous year for tax transparency, in large part owing to the ambitious agenda set by the G20, and the G20 members leading by example. The *2014 Global Forum Report to the G20 Leaders* described the major progress made in 2014 toward tax transparency. It reported on progress made by jurisdictions in relation to the exchange of information on request; how the Global Forum met the mandate of the G20 to incorporate the Financial Action Task Force's work on beneficial ownership into the Global Forum standards; on the adoption by the Global Forum and the commitments by almost 90 Global Forum members to implement the new standard for the Automatic Exchange of Information, and how the Global Forum was supporting developing countries to benefit from the international tax and transparency agenda.

At their Brisbane meeting in November 2014, the G20 Leaders endorsed the global Common Reporting Standard for the automatic exchange of tax information (the AEOI Standard) on a reciprocal basis, and agreed to begin exchanging information automatically with each other and with other countries by 2017 or end-2018, subject to completing necessary legislative procedures. The leaders welcomed financial centres' commitments to do the same and called on all other jurisdictions to join G20 countries in implementing the necessary measures.

This report provides a short update of the developments occurring in the Global Forum since the last report to the G20 Leaders in November 2014. Work on incorporating beneficial ownership into the Global Forum's standards has advanced and preparations are underway for monitoring the implementation of the new standard on automatic exchange of information.

### *Exchange of Information on Request*

The Global Forum's peer review process evaluates jurisdictions' compliance with the international standard of transparency and exchange of information on request. Reviews take place in two phases: Phase 1 reviews examine the legal and regulatory framework; Phase 2 reviews look into the implementation of this framework in practice. Following a Phase 2 review, ratings are assigned which indicate a jurisdiction's overall compliance with the standards.

As of January 2015, the Global Forum has finalised Phase 1 reviews of 105 jurisdictions and assigned ratings for a total of 71 jurisdictions after completion of their Phase 2 reviews. The overall ratings show that 20 jurisdictions are rated "Compliant", 38 jurisdictions "Largely Compliant", 9 jurisdictions "Partially Compliant" and 4 jurisdictions "Non-Compliant". Table 1 below shows the allocation of overall ratings for jurisdictions for which Phase 2 reviews have been completed. Supplementary reviews, which evaluate changes made by a jurisdiction to address the recommendations made in their reports, and based on a potential improvement in ratings, are ongoing for Austria, British Virgin Islands, Cyprus, and Luxembourg.

It can be noted that some jurisdictions (see Table 1) could not receive ratings because their Phase 2 reviews could not take place. The Phase 1 reviews of 12 jurisdictions determined that the legal and regulatory framework for EOI of these jurisdictions presented serious deficiencies that prevented them from moving to Phase 2 until they act on the recommendations made (including one jurisdiction for whom the launch of

the Phase 2 review is still subject to conditions). Some of these jurisdictions have reported that they have implemented, or are in the process of implementing, the recommendations to enable them to ask for Supplementary reports. The Supplementary Phase 1 report of Switzerland is underway. The Global Forum has now formulated a process designed to swiftly encourage the remaining jurisdictions to respond to the recommendations, failing which a rating of non-compliant may be assigned.

**Table 1: Overall ratings for jurisdictions for which Phase 2 has been completed**

TABLE OF JURISDICTION RATINGS	
Australia, Belgium, Canada, China, Denmark, Finland, France, Iceland, India, Ireland, Isle of Man, Japan, Korea, Mexico, New Zealand, Norway, Slovenia, South Africa, Spain, Sweden.	Compliant
Argentina, The Bahamas, Bahrain, Belize, Bermuda, Brazil, Cayman Islands, Chile, Estonia, Former Yugoslav Republic of Macedonia (FYROM), Germany, Ghana, Gibraltar, Greece, Grenada, Guernsey, Hong Kong (China), Italy, Jamaica, Jersey, Macao (China), Malaysia, Malta, Mauritius, Monaco, Montserrat, Netherlands, Philippines, Qatar, Russia, San Marino, Singapore, Slovak Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Turks and Caicos Islands, United Kingdom, United States.	Largely compliant
Andorra, Anguilla, Antigua and Barbuda, Austria,* Barbados, Indonesia, Israel, Saint Lucia, Turkey.	Partially compliant
British Virgin Islands,* Cyprus,* Luxembourg,* Seychelles.	Non-compliant
Jurisdictions that cannot be rated because they cannot move to Phase 2	
Brunei Darussalam, Marshall Islands, Dominica, Federated States of Micronesia, Guatemala, Lebanon, Liberia, Panama, Nauru, Switzerland**, Trinidad and Tobago, Vanuatu.	

\* The jurisdiction is undergoing a Supplementary review to improve its ratings.

\*\* The launch of the Phase 2 of Switzerland is subject to conditions. Switzerland is undergoing a Supplementary Phase 1 review.

### *Preparation of the next round of reviews*

In recognition of the need to ensure continuous monitoring, the Global Forum agreed that a new round of reviews would be initiated in 2016, following the completion of the existing Schedule of Reviews. For this purpose it examined its Terms of Reference, which are the basis for the reviews, so as to take into account the experience gained from the peer reviews, as well as international developments in relevant areas. In October 2014, the Global Forum agreed the set of issues where changes to the Terms of Reference will be made, including enhanced requirements regarding the beneficial ownership of legal entities and arrangements, and work is now in progress to refine the detailed proposals, as well as to agree the processes to be followed for the new round.

### *Automatic Exchange of Information*

Rapid progress has been made on getting widespread support for the implementation of the common global standard for automatic exchange of financial account information (AEOI). 89 Global Forum members have already committed themselves to the new AEOI standard in either 2017 or 2018 while 5 jurisdictions have not indicated a timeline or have not yet committed (see Table 2 below).<sup>2</sup> The remaining members are developing countries where the Global Forum is committed to providing technical assistance to help them implement the AEOI Standard.

**Table 2: GF member jurisdictions committed to implementing the AEOI Standard**

JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2017
Anguilla, Argentina, Barbados, Belgium, Bermuda, British Virgin Islands, Cayman Islands, Chile, Colombia, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Dominica, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Montserrat, Netherlands, Niue, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Trinidad and Tobago, Turks and Caicos Islands, United Kingdom, Uruguay
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018
Andorra, Antigua and Barbuda, Aruba, Australia, Austria, The Bahamas, Belize, Brazil, Brunei Darussalam, Canada, China, Costa Rica, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Marshall Islands, Macao (China), Malaysia, Monaco, New Zealand, Qatar, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Turkey, United Arab Emirates
JURISDICTIONS THAT HAVE NOT INDICATED A TIMELINE OR THAT HAVE NOT YET COMMITTED
Bahrain, Cook Islands, Nauru, Panama, Vanuatu

The Global Forum is working to develop a detailed process to monitor and review the implementation of the AEOI Standard, including a Terms of Reference and a Methodology for these reviews. One of the key aspects of this work is to design an objective and effective multilateral process to assess a jurisdiction's readiness to ensure that information which is exchanged remains confidential and that there are appropriate mechanisms in place to safeguard the data.

### *Competent Authority meeting*

Global Forum members remain keen to continuously improve the administrative co-operation and practices to fight against tax evasion and protecting the integrity of tax systems. Therefore around 60 delegations came together at the annual Competent Authorities' Meeting held in Mexico in early December. This was the third meeting of this kind which aims to improve communication between Competent Authorities, and develop measures to overcome practical impediments to effective tax co-operation and the support that is

<sup>2</sup> The United States has indicated that it will be undertaking automatic information exchanges pursuant to FATCA from 2015 and has entered into intergovernmental agreements (IGAs) with other jurisdictions to do so. The Model 1A IGAs entered into by the United States acknowledge the need for the United States to achieve equivalent levels of reciprocal automatic information exchange with partner jurisdictions. They also include a political commitment to pursue the adoption of regulations and to advocate and support relevant legislation to achieve such equivalent levels of reciprocal automatic exchange.

needed by developing countries if they are to effectively participate in a global information exchange network. Competent Authorities will meet again in 2015 to follow-up on the work already done, and anticipated.

### *Developing countries*

The membership of the Global Forum continues to grow with increasing interest amongst developing countries. In the last 3 months Niger and Cote D'Ivoire have become new members of the Global Forum taking the membership to 125 jurisdictions. The Global Forum engages in a range of initiatives to support its developing country member jurisdictions in effectively implementing the international standards, and ensuring that exchanges between members' tax authorities are efficient and of high quality. These activities will intensify greatly in 2015 due to Global Forum members' commitment to the AEOI Standard and the need to ensure that developing countries can participate in and benefit from the Standard, as well as in connection with the recently launched Africa Initiative which aims at increasing engagement with African countries.

In its response to the 2014 Roadmap on AEOI for Developing Countries, the G20 leaders indicated their support for pilot projects to be undertaken between developing and G20/developed country partners, which would be facilitated by the Global Forum, working with the World Bank Group and other international and regional organisations. To date, six developing countries (Albania, Colombia Morocco, Pakistan, the Philippines, and Uganda) have indicated interest in participating in pilot projects. Work has already commenced on three of these projects. The first projects will be undertaken with Albania and Colombia, collaborating with Italy and Spain respectively as pilot partners. The Philippines (with Australia as pilot partner) is next in line. On-site visits for the purpose of undertaking feasibility studies and developing implementation plans are scheduled in these cases for March and April 2015. France will partner Morocco and work is likely to commence soon on this project. The proposed projects with Pakistan and Uganda are still being evaluated and developed country partners have yet to be identified. A "call to action" for G20 members to support these and other similar pilots or provide support and resources for improving information exchange in other forms would be very helpful.

At its annual meeting in Berlin in October 2014, the Global Forum welcomed the launch of a new three-year initiative focussed on the needs of Africa. The Africa Initiative is a joint effort of ATAF, CREDAF, the Global Forum, the OECD, the World Bank Group, other international organisations and individual African members of the Global Forum. The aim is to deliver a program to unlock the potential for transparency and exchange of information in Africa, to engage with relevant leaders in African countries on the benefits that it can bring, and to leave behind a legacy of increased capacity in tax administrations across the continent. In 2015 the Global Forum secretariat will work closely with individual member countries and regional bodies from Africa to put exchange of information on the agenda of the African leaders in the same way as it has been on the agenda of G20 leaders for the past several years.

### *Next Steps*

The Global Forum continues to make significant progress in its peer review process for exchange of information on request. The first round of reviews is expected to be completed in 2015 with an estimated further 37 peer reviews completed, ratings assigned to a further 20 jurisdictions and the remaining reviews launched to cover almost all Global Forum members. A number of supplementary reviews will be completed to assess the progress made by jurisdictions. The mechanism that has been put in place to incentivise improvements for jurisdictions that still cannot move to Phase 2 is expected to swiftly encourage these jurisdictions to make significant improvements.

A new Schedule for the second round of reviews will be drawn up and the detailed drafting of revised *Terms of Reference* will also be completed in preparation for this new round. In continuing with the review process with improved Terms of Reference, the Global Forum aims to ensure that momentum towards the greatly improved international cooperation in tax matters is maintained.

Major progress has already been made on AEOI over the last few months, with most jurisdictions other than developing countries that do not house financial centres having committed to implement the AEOI Standard. Work is underway on assisting the effective implementation of the standard through training events and pilot projects. Alongside the Global Forum will work to design an effective peer review mechanism for monitoring the implementation of the AEOI Standard including on evaluating confidentiality and data safeguards.

Enhanced engagement with developing countries will ensure that they can fully participate in and benefit from an enhanced transparent tax environment. For this purpose the Global Forum has put in place an ambitious technical assistance plan comprising one on one assistance, pilot projects, and 6 training seminars across the world. The Africa Initiative is expected to give a major boost to African jurisdictions in their efforts to enhance transparency and information exchange in the region.