Tax Transparency: Accelerating information flows to strengthen tax administration

WORLD BANK GROUP
Governance

Richard Stern
Global Tax Team
World Bank Group

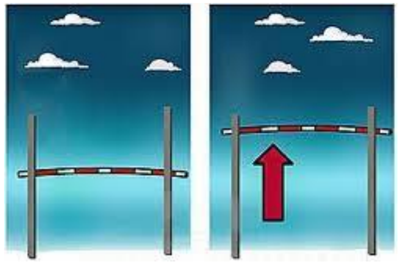
A Sea Change in Thinking: Tax transparency is preferable to secrecy

- The world has realized that tax transparency can benefit everyone, even those who lived in the shadow of tax planning through havens
- Especially in ASEAN, governments are finding that special interests are caving into ending secrecy
- EOI on demand has changed the way audit happens
- We can now follow the money

Moving beyond the EOI established in 2009: policy, administration and attitude changes

- The success of the Global Forum for Tax Transparency and Exchange of Information, in combination with the general recognition that transparency is good and more is better, the bar is being raised:
  - Exchange of information is moving from on request to automatic—means big data sets will begin to flow automatically
  - Higher standards for key transparency issues such as beneficial ownership will enhance "following the money trail"

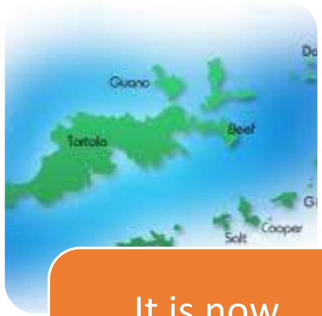
- And beyond standards:
  - Lower tolerance for banking secrecy
  - Greater attention being paid to tax planning structures, especially suspected harmful ones as countries try to match tax structures with economic activity



Global results: Fixing the supply side – Information is now available

Strict Bank secrecy is over

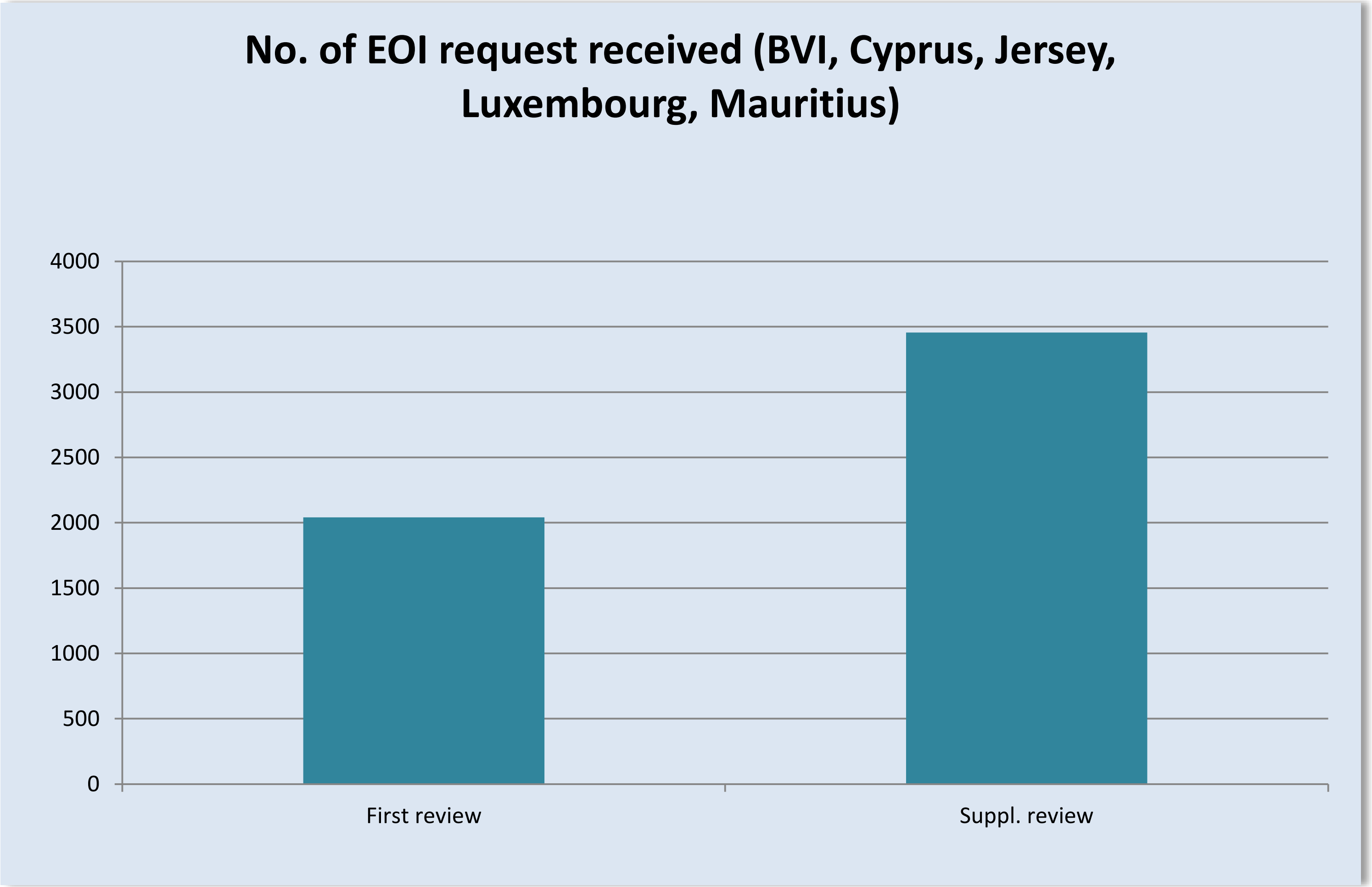
Many offshores centres have a good level of tax transparency



It is now possible to get information from them on your taxpayers

We are fixing the supply side

Demand Side – Increasing Inbound EOI Requests



WBG response: Offshore Financial Sector Policy – 2 Parts adopted 2011

MEETING GF STANDARDS

- WBG uses the standards for tax transparency established by the Global Forum
- WBG accepts the review of standards by Global Forum
- In case of no GF review, IFC does the review

IF NOT, THEN WHAT

- A country fixes the problem itself
- TA on request by CIC
- TA by another provider
- Do nothing

OFC Policy – General Rule

No WBG investment in an entity

- domiciled in an **Intermediate Jurisdiction**, or
- controlled by an entity domiciled in **Intermediate Jurisdiction,**

if such Intermediate Jurisdiction is "**ineligible**"

Challenges we see

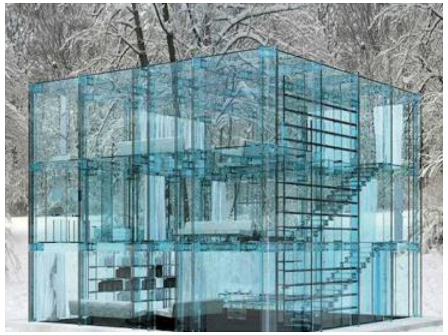
General issues we have heard in our work

1. Capacity constraints: Several participant countries highlighted the need for technical assistance and training of tax officials to build necessary capacities.

2. Who are the hardest to find: high net worth individuals.

3. Legislative frameworks are hard to change: Not in place for some issues (i.e., for indirect transfer of assets the biggest challenge comes from the absence of the required legislative framework) and foreseen changes – being able to put in place needed frameworks to respond to changing situation

1. Can countries meet the new standards?



1. **Beneficial ownership bar raised**
2. **AEOI—what does it take ?**

2. The next big challenge: The arrival of big data!

- Big flows of data are coming as a result of AEOI and CbCR.

- What will countries do with it? (assuming they can capture it)

3. Following the money: can we really assess tax structures?

- Do we have the tools to both follow the money to the beneficial owner and

- Do we have the tools to assess whether and distinguish between a tax structure is harmful, aggressive, or illegal?