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Global tax and transparency: We have the tools, now we must make them work

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If there is a silver lining to the 2008 financial crisis, it is that it was a catalyst for the unprecedented progress we have made in building robust international tax standards for the interconnected global economy of the 21st century.

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The current international tax agenda relies on two building blocks: tackling tax avoidance via the OECD/G20 Base Erosion and Profit Shifting (BEPS) project; and promoting transparency and exchange of information among jurisdictions for tax purposes. Today we are at a crucial juncture. After all, building universally acceptable tax solutions would be pointless without global implementation.

The international debate on taxation first went global in 2009, when at the height of the crisis, the G20 declared that bank secrecy was over and committed to take action against non-co-operative jurisdictions, including tax havens. Countries around the world agreed to fight cross-border tax evasion together by committing

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to the international standard for exchange of tax information on request (EOIR) developed by the OECD, and by joining the restructured Global Forum on Transparency and Exchange of Information for Tax Purposes. The Global Forum, which now has over 130 members, all participating on an equal footing, has enabled rapid implementation of the standard through a comprehensive peer review process.

Global tax transparency was further enhanced in 2014 when we developed the global Common Reporting Standard (CRS) for Automatic Exchange of Information (AEOI), which 101 jurisdictions have now committed to implement, with the first such exchanges due to begin by 2017. This common global standard will minimise the compliance burdens for both governments and financial institutions and result in an increase in voluntary compliance, as demonstrated by the over US$48 billion already collected through voluntary disclosure programmes aimed at encouraging taxpayers to report income and wealth previously hidden from their tax authorities.

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A postcard to beneficial owners from a protester, London, May 2016

To duly implement the automatic information exchange standard, the OECD is now working with G20 countries and the Global Forum to provide all participating jurisdictions, rich and poor, with the tools and practical guidance necessary for globally consistent implementation. The OECD's Forum on Tax Administration (FTA) has just agreed a Common Transmission System (CTS) creating the first global bilateral exchange system to operationalise automatic exchanges in a truly transformative way. The cornerstone of the CTS is data security, with leading industry standards of encryption applied to each transmission. The FTA members have funded its development but will make the system available to developing countries.

Recently, the "Panama Papers" scandal demonstrated that in spite of the remarkable advances over the last seven years in the establishment of robust international standards on tax transparency, the veil of secrecy continues to damage our communities, whether by concealing earnings to evade taxes or to commit other serious financial crimes like money laundering. But would the media have been able to draw such massive attention to those papers had it not been for the progress made to date? Thanks to our efforts, and building on years of work before the crisis, tax matters and transparency are finally front and centre in public discussions about fairness, good governance and responsible business (and individual) conduct.

The international pressure on Panama, encouraging it to fall into line with our global standards, shows the impact that the OECD's tax work is having . Further progress is still needed. To this end, the G20 has recently mandated the OECD to establish criteria to identify non-co-operative jurisdictions. The OECD and the Global Forum, in partnership with the Financial Action Task Force (FATF), have been mandated by the G20 and Anti-Corruption Summit to work on improving the availability of beneficial ownership information to ensure effective implementation of the standard that will enable tax authorities to identify the true owners behind shell companies and other legal arrangements.

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Implementation is also important for the BEPS measures to work. The problem here is that, when reporting their global earnings, too many multinational companies can artificially (and legally) move their profits around in search of the lowest tax rates, often undermining the tax bases of the jurisdictions where the real economic activities take place and where value is created. Launched in 2012 at the behest of G20 Leaders, the OECD/G20 project to combat BEPS aimed to close the loopholes in the international tax system that allow this to take place. After two years of strenuous work, a comprehensive package of anti-BEPS measures was endorsed at the G20 Leaders Summit in Antalya, Turkey, on 15-16 November 2015.

What looked like a risky bet for many has proven to be a success story. For the first time in history 44 countries (all OECD and G20 members plus Colombia and Latvia), representing their equivalent of about 90% of the world's economy, worked together on an equal footing to tackle tax avoidance. Some 62 countries have also provided input directly to the decision-making body and technical working groups which helped to shape the final outputs. In addition, over 120 jurisdictions worldwide provided input through dedicated regional networks and regional tax organisations, such as the African Tax Administration Forum (ATAF) and the Inter-American Centre of Tax Administrations.

The BEPS package covers three unifying themes: to align rules on taxation with the location of economic activity and value creation; to improve coherence between domestic tax systems and international rules; and to promote transparency. Like our exchange of information standards, BEPS also provides governments with practical measures and tools for implementation, including model provisions for tax treaties and domestic legislation, good practice templates and more. The anti-BEPS measures offer a real chance of restoring taxation for many jurisdictions by ensuring that profits are reported where they are made.

Much work still lies ahead, but progress will be hard, if not impossible, without widespread and effective implementation . The OECD and G20 countries have now agreed to move forward on implementation and monitoring, welcoming all interested countries and jurisdictions that are ready to commit to the BEPS package. A proposal for the structuring of a new more inclusive framework was endorsed by the G20 finance ministers at their Shanghai meeting in February 2016, and will be inaugurated in Kyoto in June. If successful, the framework will mark a major step towards building a sound and reliable international tax system for all.

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Reflecting the fact that tax has never been higher on the political agenda, the 2016 Chinese Presidency of the G20 has proposed linking tax policy with broader G20 objectives, namely strong, sustainable and inclusive growth. The OECD is uniquely positioned to identify tax policy reforms and opportunities, and this could become a third building block of the international tax agenda, if not its *raison d'être*.

Establishing global taxation standards and making commitments to implement them, while essential steps, are just the start. It is time to move emphatically towards implementation. Not only do governments wish it, but citizens do too. The Panama debacle was a public warning that there is no appetite to let up in our efforts. With the G20-OECD partnership at the heart of the international tax agenda, we are determined to promote better tax policies for better lives, everywhere.

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