

## The transition to transparency

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These were the slides I used for a talk to tax officials from Norway, Sweden, Finland, Denmark and Greenland this morning:

### **The Transition to Transparency**

#### **Nearly eight years since I spoke to you last: what has happened?**

- \* A global financial crisis
- \* The end of tax havens (Gordon Brown)
- \* Tax Information Exchange Agreements
- \* Google
- \* The rise of the tax campaigner
- \* BEPS
- \* Country-by-country reporting
- \* FATCA
- \* Multilateral information exchange

#### **Have we been on a transition to transparency?**

- \* I hate to be a pessimist.....

Appearances are not everything

- \* Progress has not been smooth
- \* And has been marked by frequent failure
- \* Requiring new policy initiatives

The result is

- \* I think are there are significant remaining impediments to progress
- \* And much still needs to be done

## **Remember the world in 2008?**

We were:

- \* Looking over an economic cliff the size of which we could not comprehend
- \* Still living in an era where a little voluntary cooperation was seen as the only solution to tax haven abuse
- \* And the European Savings Tax Directive was the frontier of innovation

And

- \* People like me were trouble making outsiders who many were all too happy to dismiss

## **The tax world has changed**

I hope we can agree on that.

But:

- \* My point though is not to describe what has changed
- \* But to suggest a theory of change
- \* And to look at what this implies

## **The theory**

- \* Change on this issue has always been incremental
- \* Each change, so far, has failed
- \* But in each change there has been a feedback loop, usually (to date) via the OECD
- \* And the combination of failure and feedback has, so far, resulted in a fairly rapid process of further change
- \* But so far it has not delivered success
- \* And I suggest that this pattern has some way to go as yet

- \* And the feedback loop may need to change before we get there

## **April 2009 - the changes**

- \* The aim was to blame someone 'elsewhere' for what was happening on politician's home turf
- \* Tax havens were easy targets
- \* The OECD lists appeared like action
- \* But a target of 12 TIEAs was laughable
- \* And the truth was that TIEAs could not work, as a matter of fact
- \* This was politics, but not tax transparency

## **April 2009 - the failures**

- \* TIEAs were mocked
- \* The black list was closed in days, and the grey list not long after
- \* The peer reviews convinced no one
- \* Occupy and UK Uncut made clear that this was not just an issue of evasion, but of avoidance as well
- \* The Google story went round the world
- \* The UK parliament made Google, Amazon and Starbucks totemic

## **The 2012 / 13 changes**

- \* BEPS began in 2012
- \* David Cameron put it on top of the G8 agenda in 2013
- \* He accepted that this was a development issue
- \* Norway's patient funding of that argument paid off
- \* Country-by-country reporting topped the demands
- \* The Lough Erne Summit was the campaigners hey-day

## **The 2012 / 13 failures**

- \* Developing countries largely excluded from the debate
- \* And from the data

- \* CBCR will exist, behind closed doors
- \* 'Tax transparency, in secret'
- \* 'Trust us, we're transparent: you just can't see it'
- \* Many other technical solutions are half hearted
- \* Arm's length pricing survives
- \* Corporation tax remains in its death throes
- \* There is no political solution for corporation tax in sight

## **The FATCA changes**

- \* The US rocks the boat with FATCA in 2010
- \* BUT it is unilateral
- \* Most jurisdictions holding out against EU STD development smell the coffee and begin information exchange
- \* Even Luxembourg
- \* Austria would have been the last to fall
- \* The UK and others move to what I called 'son of FATCA' deals with its havens
- \* The opportunity for the OECD to create proper multilateral information exchange to replace the bilateral era

## **The FATCA failures**

- \* The US refuses multilateral exchange
- \* And becomes the biggest tax haven in the world
- \* The U.K. demands transparency from its tax havens
- \* And does not get it
- \* There is massive resistance to registers of beneficial ownership which are the pre-requisite of the system working
- \* And places like the UK will produce sham registers
- \* The likelihood of meaningful data exchange on the tax non-compliant is very low
- \* The Panama Papers imply only the fools will be caught

## **The ongoing crisis**

- \* There is a tax gap
- \* But most countries will not calculate it

  

- \* There is a revenue authority resources crisis
- \* But few countries will acknowledge it

  

- \* There is a crisis in company law enforcement
- \* And no one even talks about it

  

- \* The accounting profession still produces accounts wholly unsuitable as a basis for tax
- \* And get away with it

  

- \* Which means we are still 'just dancing in the dark'
- \* Bruce Springsteen

## **So what is needed?**

- \* Political will
- \* Investment of resources
- \* Tax
- \* Company law

  

- \* Substantially enhanced domestic information exchange regimes
- \* Massively enhanced tax accounting
- \* Public CBCR

  

- \* Tax Reporting Standards to identify the tax base

  

- \* Full transparency on all companies and trusts
- \* The training to use the data
- \* Vitally

## **Why will we get change?**

- \* The next financial crisis will make this happen
- \* Coming your way soon....
- \* It's overdue