

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 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