Statement to the G20 Summit 2012

Toward financial transparency and tax cooperation

In recent years, the G20 has repeatedly expressed concern regarding the lack of transparency and cooperation from secrecy jurisdictions while acknowledging the need to regulate these jurisdictions. In 2009, G20 leaders committed to "take action against non-cooperative jurisdictions, including tax havens,"[1] and in 2010, G20 leaders reiterated their commitment to "preventing non-cooperative jurisdictions from posing risks to the global financial system"[2].

Three years have passed and little progress has been made towards these commitments. The Mexican presidency of the G20 set out five priorities for the 2012 Summit, three of which are aimed at stimulating growth and promoting economic and financial stability[3]. **A necessary yet absent component of this agenda is the need for greater financial transparency.**

Financial transparency and multilateral tax cooperation are key elements in effectively curtailing illicit financial flows and boosting domestic resource mobilisation. Ahead of the next G20 Summit to be held in Los Cabos, Mexico, we call on G20 members to work on the following actions:

- **Automatic cross-border exchange of tax information** on individual and business accounts. Banking secrecy laws and other confidentiality laws in secrecy jurisdictions (such as tax havens) prevent disclosure of relevant information by financial institutions to government authorities. Further, the often lax response of tax authorities in those jurisdictions to information requests from foreign governments often delays or prevents cases against tax cheats. Tax is the most sustainable source of finance for development, and tax havens undermine developing countries' efforts to pay their way. In this area, the G20 relies on the OECD Global Forum peer review process which does not fit the purpose of getting access to relevant and timely information[4].

- **Support measures to increase financial transparency within multinational companies**, in line with current regulatory proposals for the extractive industry in both the United States and the European Union (EU), which would make country-by-country reporting obligatory throughout the industry. Country-by-country reporting should be extended to all sectors, and include reporting of sales, profits, and taxes paid by multinational corporations, in order to identify potential abuses of international standards that deserve further investigation.

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[1] www.g20.org/Documents/final-communique.pdf
[2] www.g20.utoronto.ca/2010/g20seoul.pdf
[3] www.g20mexico.org/images/pdfs/disceng.pdf
[4] www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf

- **Transparency of beneficial ownership information** for all companies and trusts registered in their jurisdiction. The flow of illicit money including the proceeds of tax evasion, corruption, terrorist financing and the profits from drugs is facilitated by obscure company ownership structures which undermines the ability to get information on the ultimate natural person who owns or controls a company or trust – the beneficial owner. It is necessary to secure greater commitment from the Open Government Partnership (OGP) member countries and from G20 countries in order to increase financial stability and to tackle corruption.

- **Promote a comprehensive review process of international tax standards**, which should engage developing countries, in order to effectively curb transfer mispricing. It is necessary to globally analyze the prevailing approach, which regulates trade within multinational companies, to ensure that it reflects developing countries' needs, realities and abilities to implement such standards.

- **Establish measures aimed at preventing tax competition practices** which affect tax revenues in developing countries as they compete to attract foreign investment. Developing countries lose a lot of potential income due to tax exemptions and foreign investments that all too often do not contribute to sustainable and environment-friendly development. In the worst case scenario these exemptions have no material influence on investment decisions or the ability to attract foreign direct investments.

It is necessary to promote national and regional policies aimed at protecting developing countries' policy space in order to enable the adoption of sovereign development strategies and discourage volatility and speculative investment. If following up on their commitments, the G20 can play a crucial role in this regard.