

THE GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES (*THE GLOBAL FORUM*)

International tax evasion has been at the top of political leaders' agenda. G20 Leaders, the OECD and other international organizations continue to stress the need to fight this global scourge that is hitting Africa particularly hard. It is now widely accepted that all countries and territories must apply international standards of transparency and information exchange for tax purposes so that international tax evasion can be tackled effectively. As the key international body working on the implementation of standards on tax transparency, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) is an essential tool in the overall strategy of this worldwide crusade.

BACKGROUND OF THE GLOBAL FORUM

The **Global Forum** was established in 2000 to develop standards for tax and banking law, "in a way that is equitable and permits fair competition between all jurisdictions, large and small, developed and developing".

The Global Forum is a continuation of the *Forum on Harmful Tax Practices*, which itself is a subsidiary body of the OECD's Committee on Fiscal Affairs, set up in 1996 on the initiative of the G7.

It was not until the fifth meeting of the Global Forum in Mexico City on 1-2 September 2009 (shortly before the Pittsburgh G20 summit) that the first Chairman of the Global Forum was elected, the Australian **Mike Rawstron**, and **Francois d'Aubert** was elected Chairman of the newly founded *Peer Review Group (PRG)* with a reorientation of its missions.

WHAT ARE THE MISSIONS OF THE GLOBAL FORUM ?

An emanation of the Organization for Economic Cooperation and Development (OECD), the Global Forum on Transparency and Exchange of Information for Tax Purposes is the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 140 jurisdictions, which participate in the Global Forum on an equal footing

The Global Forum monitors and peer reviews the implementation of international standard of exchange of information on request (EOIR) and automatic exchange of information (AEOI)

HOW DOES THE GLOBAL FORUM OPERATE ?

All Global Forum members have agreed to have their implementation of the Exchange of Information on Request (EOIR) standard be assessed by peer review. In addition, non-members that are relevant to the Global Forum's work are also subject to review. The legal and regulatory framework of each jurisdiction is assessed as is the implementation of the EOIR framework in practice. The final result is a rating for each of the essential elements and an overall rating.

The first round of reviews was conducted from 2010 to 2016. The Global Forum has agreed that all members and relevant non-members should be subject to a second round of review

starting in 2016, to ensure continued compliance with and implementation of the EOIR standard. Whereas the first round of reviews was generally conducted as separate reviews for Phase 1 (review of the legal framework) and Phase 2 (review of EOIR in practice), the EOIR reviews commencing in 2016 combine both Phase 1 and Phase 2 aspects into one review. Final review reports are published and reviewed jurisdictions are expected to follow up on any recommendations made. The ultimate goal is to help jurisdictions to effectively implement the international standards of transparency and exchange of information for tax purposes.

Cameroon has undergone a peer review of its own implementation of the standards (phase 1 in 2015 and phase and phase 2 in 2016) and has received a “**LARGELY COMPLIANT**” rating.

WHY EXCHANGE OF INFORMATION FOR TAX PUPOSES ?

Tax administrations have long lacked a clear and comprehensive picture of the activities of their taxpayers outside their jurisdiction. The consequences of this information asymmetry have gradually taken the form of a univocal chart drawn from the various information leaks that have occurred in recent years.

At present, more than 141 countries and jurisdictions are joining forces in the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) to combat international tax evasion by introducing better international standards on transparency and information exchange. This improved international tax transparency will provide tax administrations around the world with a much more complete picture of the full spectrum of their taxpayers' international activities, enabling them to implement their own tax laws and appease public concern about the impartiality and fairness of the international tax system.

THE DIFFERENT TYPES OF EXCHANGE OF INFORMATION FOR TAX PURPOSES

The Global Forum is responsible for an extensive process of monitoring and peer review of the implementation of transparency and information-sharing standards for tax purposes, namely the **standard for the exchange of information on request and standard for automatic exchange of information**.

The standard of exchange of information on request provides for international exchange on request of foreseeably relevant information for the administration or enforcement of the domestic tax laws of a requesting party. Fishing expeditions are not authorised but all foreseeably relevant information must be provided, including bank information and information held by fiduciaries, regardless of the existence of a domestic tax interest or the application of a dual criminality standard.

Automatic exchange of tax information generally involves the systematic and periodic transmission of a large amount of tax-relevant information regarding non-resident taxpayers by the tax administration of the source country to the residence country. The tax relevant information usually concerns various categories of income (dividends, interest, royalties, wages, pensions, etc.). Tax information, which is exchanged automatically, is normally collected in the source state on a routine basis, generally, through reporting by third parties; usually, financial institutions, that make or administer payments to non-residents.

Automatic exchange can also be used to communicate other types of useful information, such as a change of place of residence, purchase or sale of real estate, VAT refunds, etc. As a result, the tax authority of a taxpayer's country of residence can monitor their tax returns to verify that they have accurately reported their income from one or more foreign countries.

In addition, information concerning the acquisition of significant assets may be used to evaluate the net worth of an individual and to verify if the reported income reasonably supports the transaction.

In order to be able to conduct the automatic exchange of information, countries must put in place appropriate operational formats and processes, as well as a legal framework allowing such exchange, as a bilateral or multilateral convention or, in the case of the EU, an applicable directive such as the Directive on taxation of savings income.

THE ACHIEVEMENTS OF THE GLOBAL FORUM

Over the past six years, the members of the Global Forum have been working on the implementation of the first round of peer reviews which is now over, and for which 116 compliance ratings were assigned.

The Global Forum has written a new standard on tax transparency and information exchange. The result is reflected in the vast network of new Information Exchange agreements that exist today, in the near end of the era of banking secrecy for tax purposes and in improving the transparency of the different forms of enterprises.

Another step in this direction is the implementation of the Common Reporting Standard (CRS) for the automatic exchange of financial account information this year. A total of 101 jurisdictions have now committed to implementing the Automatic Exchange of Information Standard (AEOI), starting the first exchanges in 2017 and 2018.

The effect of the AEOI Standard is already visible in the nearly \$ 55 billion in additional revenue reported by voluntary reporting programs and similar measures to encourage taxpayers to report income and assets previously hidden from tax authorities. The members of the Global Forum are also putting in place additional measures to ensure the availability and exchange of beneficial ownership information for tax purposes. Some of the International Financial Centres members of the Global Forum have set an example in this regard by being among the first to take steps to ensure the availability of beneficial ownership information.