Key Financial Secrecy Indicators
7: Fit for Information Exchange

What is being measured?

This indicator asks whether resident paying agents (such as joint stock companies and financial institutions) are required to report to the domestic tax administration information on payments (of dividends and interest) to non-residents.

In order to assess this indicator we have mainly relied on our TJN-Survey 2011 and on the OECD publication entitled "Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2008)" published in 2009[1]. In addition, we have enquired with country experts in instances where the available information appeared contradictory.

Why is it important?

In many countries, dividend payments and interest payments are automatically reported to the tax administrations, not least to levy withholding taxes. Obviously, in the case of dividend payments, this information is reported by joint stock companies, and in case of interest payments, the reporting institutions are mainly banks.

However, this reporting requirement is sometimes limited to payments to resident taxpayers. Payments to non-residents are often not reported, especially if the specific underlying income payments are tax exempt, either for non-residents, or for everybody.

The absence of current, regular and reliable information of such income payments prevents the tax administration from answering information requests by foreign counterparts in a timely and accurate manner. The information reported would inform the tax administration not only about the level of payments, but also the identity of the recipient of the payments.

Without regular information being provided by paying agents (banks and companies), the tax administration will often not even know about the existence of a certain financial account or company in the name of the non-resident person who receives the payment. Even if the tax administration wanted to cooperate with effective automatic or spontaneous information exchange to foreign counterparts, it could not do so since it has not collected the necessary information.

The outcome of this absence of information reporting is that non-residents are encouraged to hold their bank deposits, financial accounts and company ownership records offshore in order to evade tax in their country of residence. Similarly, bribe payments, money laundering operations, and other illicit activity can more easily hide in a country where dividend and interest payments are not regularly reported to the tax administration.

Automatic tax information exchange[2] requires as a first step that (income) information is reported regularly by all paying agents to the tax administration, irrespective of who or where the recipients of the payments are. Without such a reporting requirement, a tax administration cannot be fit for information exchange.

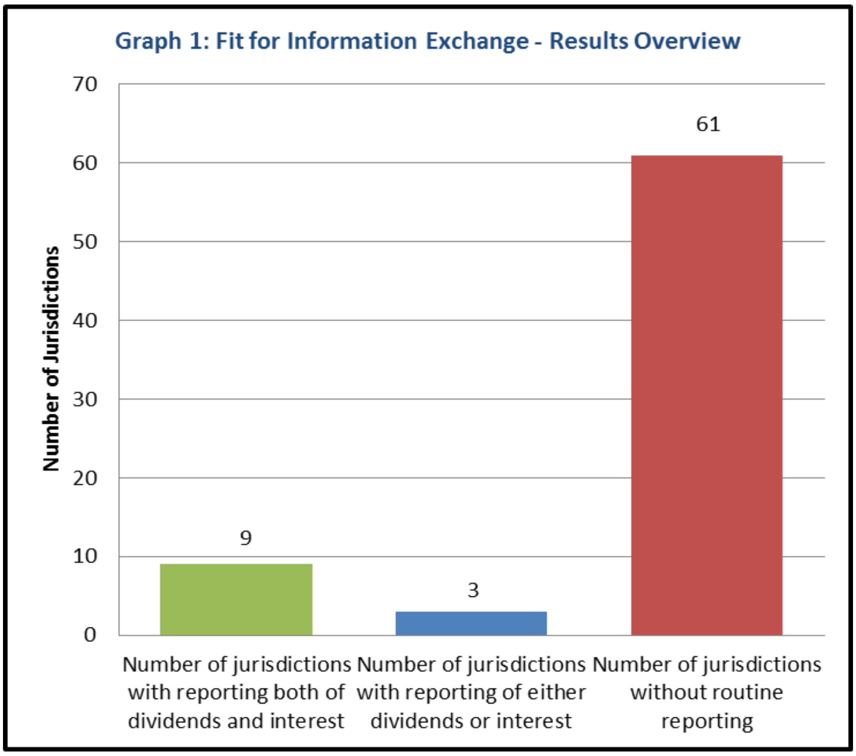
What are the crimes that might hide behind a lack of reporting obligations?

Tax evasion, hiding of the proceeds of corruption, organised crime (especially drug trafficking), illegal arms trade, trafficking in human beings, money laundering, the covering of illicit intelligence activity, non-payment of alimonies, and other economic crimes can be hidden behind the opacity arising from the lack of reporting obligations.

Results Overview

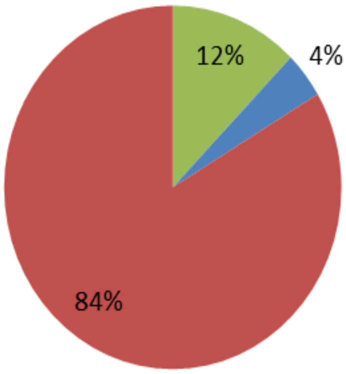
Table 1: Fit for Information Exchange - Overview

Number of jurisdictions with reporting both of dividends and interest	9
Number of jurisdictions with reporting of either dividends or interest	3
Number of jurisdictions without routine reporting	61



Results Detail

Graph 2: Fit for Information Exchange - Details



- With reporting both of dividends and interest: CA DK FR IE JP KR LV PT ES
- With reporting of either dividends or interest: NL SG GB
- Without routine reporting: AD AI AG AW AT BS BH BB BE BZ BM BW VG BN KY CK CR CY DM DE GH GI GD GT GG HK HU IN IM IL IT JE LB LR LI LU MO MY MV MT MH MU MC MS NR AN PA PH WS SM SC KN LC VC CH TC AE UY USV US VU

Table 2: Fit for Information Exchange - Details							
ID	Jurisdiction	ISO		ID	Jurisdiction	ISO	
1	Andorra	AD	No	38	Korea	KR	Yes
2	Anguilla	AI	No	39	Latvia	LV	Yes
3	Antigua & Barbuda	AG	No	40	Lebanon	LB	No
4	Aruba	AW	No	41	Liberia	LR	No
5	Austria	AT	No	42	Liechtenstein	LI	No
6	Bahamas	BS	No	43	Luxembourg	LU	No
7	Bahrain	BH	No	44	Macau	MO	No
8	Barbados	BB	No	45	Malaysia (Labuan)	MY	No
9	Belgium	BE	No	46	Maldives	MV	No
10	Belize	BZ	No	47	Malta	MT	No
11	Bermuda	BM	No	48	Marshall Islands	MH	No
12	Botswana	BW	No	49	Mauritius	MU	No
13	British Virgin Islands	VG	No	50	Monaco	MC	No
14	Brunei	BN	No	51	Montserrat	MS	No
15	Canada	CA	Yes	52	Nauru	NR	No
16	Cayman Islands	KY	No	53	Netherlands	NL	Partly
17	Cook Islands	CK	No	54	Netherlands Antilles	AN	No
18	Costa Rica	CR	No	55	Panama	PA	No
19	Cyprus	CY	No	56	Philippines	PH	No
20	Denmark	DK	Yes	57	Portugal (Madeira)	PT	Yes
21	Dominica	DM	No	58	Samoa	WS	No
22	France	FR	Yes	59	San Marino	SM	No
23	Germany	DE	No	60	Seychelles	SC	No
24	Ghana	GH	No	61	Singapore	SG	Partly
25	Gibraltar	GI	No	62	Spain	ES	Yes
26	Grenada	GD	No	63	St Kitts and Nevis	KN	No
27	Guatemala	GT	No	64	St Lucia	LC	No
28	Guernsey	GG	No	65	St Vincent & Grenadines	VC	No
29	Hong Kong	HK	No	66	Switzerland	CH	No
30	Hungary	HU	No	67	Turks & Caicos Islands	TC	No
31	India	IN	No	68	United Arab Emirates (Dubai)	AE	No
32	Ireland	IE	Yes	69	United Kingdom	GB	Partly
33	Isle of Man	IM	No	70	Uruguay	UY	No
34	Israel	IL	No	71	US Virgin Islands	USV	No
35	Italy	IT	No	72	USA	US	No
36	Japan	JP	Yes	73	Vanuatu	VU	No
37	Jersey	JE	No				

[1] http://www.oecd.org/dataoecd/57/23/42012907.pdf; 23.05.2011.
[2] http://www.taxjustice.net/cms/upload/pdf/AIE_100926_TJN-Briefing-2.pdf; 17.6.2011.