



G20 STATEMENT ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

We, the Finance Ministers and Central Bank Governors of the G20, are committed to enhancing good governance and fighting illicit use of the financial system in all its forms. Consequently, we are committed to transparency and exchange of information for tax purposes. We regard this as vital to enhance fairness and equity in our societies and to promote economic development.

Financial systems must respect commercial confidentiality, but confidentiality should not be allowed to foster illicit activity. Lack of access to information in the tax field has significant adverse effects. It allows some to escape tax that is legally due and is unfair to citizens that comply with the tax laws. It distorts international investment decisions which should be based on legitimate commercial considerations rather than the circumvention of tax laws. The G20 therefore regards it as a mark of good international citizenship for countries to eliminate practices that restrict or frustrate the ability of another country to enforce its chosen system of taxation.

We are therefore committed to the high standards of transparency and exchange of information for tax purposes that have been reflected in the Model Agreement on Exchange of Information on Tax Matters as released by the OECD in April 2002. We call on all countries to adopt these standards.

High standards of transparency require that governmental authorities have access to bank information and other financial information held by financial intermediaries and to beneficial ownership information regarding the ownership of all types of entities. High standards of exchange of information require that such information be available for exchange with other countries in civil and criminal tax matters. Exchange of information in tax matters should not be limited by dual incrimination principles in criminal tax matters or by the lack of domestic tax interest in civil tax matters. There must be appropriate safeguards on the use and disclosure of any exchanged information. Exchange of information should therefore be implemented through legal mechanisms providing for the use of such information only for authorized tax purposes, thus ensuring the protection of taxpayers' rights and the confidentiality of tax information.

We call on all countries with financial centres to adopt and implement the high standards articulated by the OECD so that we can move towards an international financial system that is free of distortions created through lack of transparency and lack of effective exchange of information in tax matters. It is important that countries which do meet these standards have confidence that they will not be disadvantaged and that financial centres in countries that choose not to meet these standards will not benefit from that choice.

The G20 therefore strongly support the efforts of the OECD Global Forum on Taxation to promote high standards of transparency and exchange of information for tax purposes and to provide a cooperative forum in which all countries can work towards the establishment of a level playing field based on these standards.