Global Forum on Transparency and Exchange of Information for Tax Purposes

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Written by Dennis B. Funa

One of the international participations of the Insurance Commission is the Global Forum on Transparency and Exchange of Information for Tax Purposes, under the auspices of the Department of Finance. The Global Forum is a multilateral framework and an initiative to address tax-related transparency and information exchange among the different tax jurisdictions.

It concerns itself with tax evasion, tax havens, offshore financial centers, tax information exchanges, double taxation and money laundering. It was founded in 2000 with 32 member jurisdictions and reorganized in September 2009 with 90 member jurisdictions, following a call from Group of 20 to strengthen the standards. It operates under the auspices of the Organisation for Economic Co-operation and Development (OECD). As of 2018, it has 147 member jurisdictions, the European Union and 15 observer intergovernmental organizations. Among the observers are the Asian Development Bank, the International Monetary Fund, and the World Bank. The idea was originally conceived during the 1996 G7 Lyon Summit to address harmful tax practices.

The Global Forum has adopted two agreements on exchange of information for tax purposes, the Exchange of Information on Request and the Automatic Exchange of Information. Compliance with these agreements is monitored through the process of peer review. Phase One of this peer review is the enactment of local legislation to implement this exchange of information on request. Phase Two is the actual exchange of information in practice. Of course, there are other exchange of information (EOI) agreements and Tax Information Exchange Agreements in place with other jurisdictions, mostly bilateral international agreements. The United States, for its own purposes, adopted the Foreign Account Tax Compliance Act, which requires foreign financial institutions to report directly to the Internal Revenue Service financial transactions of US persons.

Accordingly, the Philippines adopted Republic Act 10021 on March 8, 2010, otherwise known as the "Exchange of Information on Tax Matters Act of 2009." In its declared policy, "the government shall comply with or commit to the internationally agreed tax standards required for the exchange of tax information with its tax treaty partners to help combat international tax evasion and avoidance and to help address tax concerns that affect international trade and investment. The government shall likewise adopt measures and procedures to enhance cooperation with other countries in the efficient collection of taxes, consistent with the international understanding to ensure the payment of taxes due the respective taxing jurisdictions of the treaty partners." Under this law, the Commissioner of Internal Revenue is "authorized to inquire into the bank deposits and other related information held by financial institutions of a specific taxpayer or taxpayers subject of a request for the supply of tax information from a foreign tax authority pursuant to an international convention or agreement on tax matters to which the Philippines is a signatory" (Section 3). This provision establishes another exemption from the bank secrecy law. "Once the bank account information is shared with the foreign partner, the BIR [Bureau of Internal Revenue]is able to use the information for its own domestic purposes."

Under Section 4, foreign tax authorities may also have access to income-tax returns of specific taxpayers subject of a request for exchange of information pursuant to an international convention on tax matters to which the Philippines is a signatory. Thus, an EOI Unit is in place within the BIR. The Philippines has been rated as "Largely Compliant" during the 2015 Ratings.

Addressing tax havens

According to a 1998 OECD report, tax havens "erode the tax base of other countries and undermine the fairness of tax systems, diminishing global welfare." It also abets tax evasion. Some also offer financial secrecy where assets and income can be hidden. A tax haven is "a country that offers foreign individuals and businesses little or no tax liability. Tax havens also share limited or no financial information with foreign tax authorities. Tax havens do not require residency or business presence for individuals and businesses to benefit from their tax policies." On the other hand, tax haven status benefits the host country "by drawing capital to their banks and financial institutions, which can form the foundation of a thriving financial sector." OECD has identified three indicators of a tax haven: a) no or nominal taxes; b) protection of personal financial information; and c) lack of transparency. To illustrate, the US corporate-tax rates have been reduced to 21 percent under the Tax Cuts and Jobs Act of 2017. And yet, tax avoidance remains a temptation where the taxes in tax havens may be in the single digits.

Some well-known tax havens include the Bahamas, Belize, the British Virgin Islands, the Cayman Islands, Monaco, the Isle of Man, Mauritius and the Channel Islands.

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Dennis B. Funa (dennisfuna@yahoo.com) is the current Insurance Commissioner. He was appointed by President Rodrigo R. Duterte as the new Insurance Commissioner in December 2016.