

**Initial Statement from Mike LEWIS, Policy Adviser, ActionAid  
(member organisation of EURODAD)**

**28 May 2013**

***Check against delivery***

Mr Chair, Honourable Members of the Committee,

My organisation is very grateful for the opportunity to speak with the Committee at a time of huge opportunity – and also some risk - in the fight against tax evasion and avoidance. I work for the international development organisation ActionAid, active in 8 European countries and 37 other countries around the world. We also work within EURODAD, a Europe-wide network of civil society organisations mobilising on these issues.

As an international development organisation, we probably have most to say on the second part of your hearing: the role of FATCA in promoting further automatic exchange of tax-related information more widely around the world. Our organisations have long campaigned for an automatic information exchange standard

- (i) That developing countries can join, and
- (ii) that tax havens and secrecy jurisdictions will join.

We have high hopes that the second part of this goal will be furthered by the expanding endorsement of a FATCA-based automatic information exchange standard across the EU, and member state endorsement of the standard as a global one. Particularly significant is the potential participation of the UK's Crown Dependencies and Overseas Territories in the recently-announced "Big Five" information-exchange deal. Opening up financial institution data from these secretive jurisdictions would be, in our view, a 'game-changer'.

Some have argued that automatic information exchange is not a priority for developing country tax authorities. There are certainly other priorities, including tackling multinational tax avoidance, and building transfer pricing capacity. But this is not our universal experience when we talk and work with those authorities. Similarly South African Finance Minister Pravin Gordhan has said that developing countries should have the option to "*get ahead of the curve*" to move beyond on-request information exchange. India has begun to exchange tax-related information automatically, and unilaterally, with some tax treaty partners, showing that it can be done.

However, we foresee three potential stumbling blocks to the emerging FATCA standard delivering meaningful benefits for developing countries, to which we'd like to draw the committee's attention.

Firstly, both bilateral US FATCA agreements, and the emerging “Big Five” European FATCA deal, rely upon the economic weight and political clout of large economies to compel secrecy jurisdictions to participate. Since these bilateral and multilateral deals so far leave all developing countries out in the cold, there is a risk that the AIE standard stops at the boundaries of the EU, with little incentive for European and North American powers to push for tax havens or secrecy jurisdictions to exchange information multilaterally and automatically with developing countries too.

There is a danger that this could lead to a two-tier system in which developing countries are stuck with a lower standard of information exchange, and with information exchange instruments that don't include tax havens.

- ➔ As Member States and the Commission move forward with administrative and legislative proposals, it is important that they commit not only to the “Big Five” deal becoming a Union-wide initiative; but also that they explicitly aim to bring in the participation of other tax treaty partners of Member States too, including developing countries.

Secondly, if the FATCA and the “Big Five” deals are to develop into a platform that is genuinely globally accessible, then the standard on which they are based needs to support developing countries' access to the information stream without, necessarily, the burdens of immediate reciprocation. Many developing country tax authorities do not have the capacities of India or South Africa, and immediate reciprocation of AIE may be a real administrative challenge for under-resourced developing country tax authorities. Asymmetry for developing country partners is already an accepted principle in some trade deals, and should be an accepted principle in tax information-exchange too. In order to prevent the creation of new secrecy jurisdictions, of course, such asymmetry should be time-bound, and limited to countries whose own financial institutions have fairly small cross-border deposits.

Thirdly, while the automatic provision of information about taxpayers' overseas income and financial assets would undoubtedly be valuable for many developing countries, there is a second ‘flavour’ of information-exchange that is particularly valuable for developing countries, and should not be forgotten about. This is the sharing between tax authorities of targeted dossiers of tax-related information, perhaps from a particular audit which has relevance to another country, and potentially leading to joint or simultaneous audits.

This kind of broader and deeper international tax cooperation can yield startling rewards. It is this vital ‘second flavour’ of international tax cooperation that is provided for under the information exchange provisions of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. No non-EU tax haven has yet signed this Convention, and tax havens will be under even less pressure to sign it as wealthy economies move on to a FATCA-based information-exchange platform. We should take care that the race to a global FATCA does not take the wind out of efforts to get tax havens and secrecy jurisdictions to sign up to this kind of deeper international tax cooperation.