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John Michael

I wanted to write to update on our shared agenda on tackling global tax evasion and avoidance ahead of our discussion at ECOFIN on Tuesday, and following the meeting of the G7 at the weekend and your joint letter with Commissioner Semeta of 29 April.

Global momentum is now building to make the reforms necessary to ensure that international tax rules are fit for the modern global economy, and so that countries – both developed and developing – can collect the tax that is due to them.

We now have a real prospect of delivering a step change in our ability to crack down on evasion through the creation of a single global standard on automatic information exchange, based on a multilateral agreement bringing together developed and developing countries. For Britain's part, we are determined to use our presidency of the G8 this year to make progress. While for Europe as a whole, if we get it right, we can send a strong signal as to our commitment to this agenda and play a critical role in embedding a new global standard. Our meeting on Tuesday and the European Council later this month are critical.

First, within the European Union we must agree rapidly the current proposals for amending the Savings Tax Directive and associated negotiating mandate. This has been stalled for several years. Unless Europe can show it can agree on this existing proposal, our commitment to a new stronger standard will not be credible. It is a test of our seriousness, and the world is watching us.

Second, through swift commitments, we should aim to move quickly to embed multilateral automatic exchange of information, based on the agreements with the US, as the new global standard. The model agreement on automatic exchange with the US jointly negotiated by the G5 European countries (France, Germany, Italy, Spain and the UK) along with the close involvement of the European Commission, gives us the basis for developing this new standard. It affords us a unique opportunity to move from a system of bilateral agreements reached with the US to a genuinely global multilateral system based on those agreements.

Sequencing is important to making rapid progress on a global standard. At this stage we must be outward looking, not least because many tax evaders hide their money beyond the EU's borders. Tax evasion is a global problem that needs a global solution. Building closely on our agreements with the US swiftly to develop a new standard is an approach that has been shown to work. It is clearly the fastest, most effective route available to us to get agreements in place, and capture hitherto 'lost' tax revenues - a priority for us all. We need to establish the critical mass of agreements under the new standard and then bring it to the European level. This is why we have proposed to pilot multilateral information exchange between the G5 countries, based on the model agreement negotiated with the US. Britain's Overseas Territories and the Isle of Man have already committed to join the multilateral pilot, with Guernsey also expressing a strong interest. I strongly encourage others to do the same. An important part of this work is ensuring that we can tackle tax evasion through trusts, where a new global standard based on our agreements with the US will require disclosure of their beneficial owners and other financial details.

I am clear that as well as expanding the information exchange pilot among European and other developed countries, we need to ensure this new standard incorporates developing countries, and that they have the support they need to make meaningful use of it.

At the global level the OECD is currently working on how to develop the new emerging global standard into a coherent multilateral agreement, converting the bilateral agreements with the US. The OECD will soon be reporting to both the G8 and the G20. These are issues on which Member States and the Commission must work closely with the OECD and other countries. We have real experience in exchanging information automatically under the Savings Tax Directive to contribute to the work. We should do so, though, with a clear focus on rapidly achieving a new global standard.

Third, we should seek to improve the availability of information on beneficial ownership. This will maximise the benefits of tax information exchange as well as tackling illicit finance. As you are aware, as part of our G8 Presidency we are discussing how to ensure that we take action on beneficial ownership which is as ambitious as possible, whilst still remaining practical and workable. Our Overseas Territories have already committed to work with us on reviewing their legal and enforcement arrangements on beneficial ownership and producing appropriate action plans.

Finally, I would also like to reiterate the UK's commitment to ongoing work to ensure that the global tax rules reflect the modern economy, and are robust enough to ensure multinationals pay their fair share of tax. The majority of businesses do just that. But some are choosing to shift their profits artificially to very low tax jurisdictions, distorting competition and free riding on others. We must work together in all fora to send a strong political signal against such behaviour and highlight the importance of the ongoing work being carried out by the OECD for the G20 to update the international tax framework where it is no longer working.



As David Cameron has said, if we make the right choices now, this ECOFIN and the upcoming European Council will be seen as the turning point in the battle against tax evasion and avoidance and the restoration of confidence in the fairness and effectiveness of our tax systems.

I am copying this letter to Commissioner Semeta, and my European Finance Minister colleagues.

*Yours sincerely,
George*

GEORGE OSBORNE

