

Press Release on the OECD Cayman Meeting on Accounts

On October 26 to November 1, the OECD Global Forum was convened in the Cayman Islands to discuss the issues of a level playing field as well as to discuss accounts standards.

BACKGROUND

Earlier in 2002 many Caribbean jurisdictions and other countries with international financial centers signed letters of commitment to the OECD, agreeing to share information related to taxation. Countries like St. Vincent and the Grenadines, in a decision taken at the OECS Heads level, became 'committed jurisdictions' by signing such letters. Consequent on the commitment being made, our names were taken off the OECD list of harmful tax havens.

We are now at the stage of implementing the commitments made in those letters. The OECD Secretariat produced a document on accounts and convened this meeting in the Cayman with OECD member states as well as 'committed jurisdictions' to discuss the accounts paper. The OECD put forth the view that one cannot have effective sharing of information if information, in particular, accounts information does not exist.

The commitment of St. Vincent and the Grenadines and many other jurisdictions was offered on the basis that:

- St. Vincent and the Grenadines is not included on the OECD list of un-cooperative tax havens or subject to any framework of coordinated defensive measures.
- St. Vincent and the Grenadines is determined to protect its economic interests and fiscal autonomy in any future negotiations with OECD. **The issue of a level playing field is critical to those interests.**
- Those jurisdictions, including OECD Member countries and other countries and jurisdictions yet to be identified, that fail either to make equivalent commitments or to satisfy the standards of the 1998 Tax Competition Report, will be the subject of a framework of coordinated defensive measures; and
- St. Vincent and the Grenadines is invited to participate fully on an equal basis with all committed jurisdictions and OECD countries in any discussions in the Global Forum on the design of internationally accepted standards for the implementation of **these and any similar commitments.**

TOWARDS A LEVEL PLAYING FIELD

The Global Forum in Cayman was the first meeting comprising such a large number of OECD and non-OECD member states, and it was in keeping with the principle of a truly inclusive approach to the development of international standards. Participants were: Antigua and Barbuda, Aruba, The Bahamas, The Kingdom of Bahrain, Belize, Bermuda, The BVI, Canada, Cayman, the Cook Islands, France, Germany, Gibraltar, Guernsey, Ireland, the Isle of Man, Japan, Jersey, Malta, Mauritius, Mexico, the Netherlands, the Netherlands Antilles, Panama, St. Kitts and Nevis, St. Vincent and the Grenadines, Samoa, the Seychelles, Sweden, the UK and the USA.

There was considerable concern among Non-OECD member states going into the meeting that the OECD were seeking to impose standards on Non-OECD states, which were not in fact applied in their own member countries. In fact the OECD has not enjoyed full support from its own membership for its 'Harmful Tax Initiative', in particular Switzerland and Luxembourg abstained from the 1998 Report on Harmful Tax Practices and were joined in their abstentions by Portugal and Belgium in the 2001 Progress Report.

Just one example of the lack of a level playing field or the wide variation in practice, can be found in the issue of bearer shares. Pressure has been put by organizations affiliated to the OECD on Non-OECD member states to abolish bearer shares. And Non-OECD countries, such as the Bahamas, did proceed to abolish bearer shares, to their economic detriment. Meanwhile bearer shares continue to exist in at least six OECD member states.

Non-OECD countries, mostly low tax and no-tax jurisdictions, gained significant ground in the fight for a level playing field at the Cayman meeting. The issuance of a Communiqué by the OECD dealing with this particular issue is testimony of this progress. This Communiqué, which is posted on the OECD website (www.oecd.org) reads 'It is valuable to examine current and developing standards and practices in all countries and territories in taking this work forward to achieve the level playing field issue.' In other words, the OECD has committed to examining its own practices in order to ensure that its member states do not enjoy a competitive advantage over non-OECD members.

As a reflection on the new sense of partnership between the OECD and the Non-OECD members, a new term of 'participating partners' was adopted to replace the somewhat pejorative term of 'committed jurisdictions.'

NO OBLIGATORY FILING OR AUDITING OF ACCOUNTS

Another victory for low tax and no-tax jurisdictions such as St. Vincent and the Grenadines was the consensus reached at the meeting that effective exchange of information did not necessarily require that accounts be audited or filed. Rather, it was held that this requires proper maintenance of accounts records, and indeed on the quality of the accounts kept, as well as on the ability of authorities to access such records when required to do so.

This accounts standards that is being developed will apply primarily to 'geographically mobile activities,' which are usually activities related to the international finance or offshore sector, for example international business companies (IBCs) and international trusts.

The position adopted by St. Vincent and the Grenadines to the original OECD draft document on accounts, circulated in anticipation of this meeting, was the result of a dialogue between a government OECD working group and members of the private sector, in particular the accounting profession. Members of the Government group include persons from the Ministry of Finance, the Legal Affairs Department, the Offshore Finance Authority and the Income Tax Department.

The Cayman meeting did not produce a comprehensive accounts standard but represented the start of the exercise in developing such a standard. A special committee was set up to look at in particular the keeping of accounts in relation to the special structures of partnerships and trusts.

The Government will continue its dialogue with the private sector to further develop an international accounts standard in preparation of the next OECD global forum, scheduled for the end of the first quarter in 2003. Members of the private sector who are interested in taking part are invited to contact Louise Mitchell at the Offshore Finance Authority or Nicole Baker in the Ministry of Finance.