

## **Submission to G20 Development Working Group**

**15 September 2015**

The Financial Transparency Coalition (FTC) brings together nine non-governmental organizations<sup>1</sup> across five continents, 150 civil society allies, 14 governments and dozens of the world's foremost experts to curtail illicit financial flows through the promotion of a transparent, accountable and sustainable financial system that works for everyone.

In line with the Turkish Presidency's priorities to ensure the inclusion of developing country perspective to the G20 tax agenda and addressing corruption in the public and private sector, we recommend the following:

### **Beneficial Ownership Transparency**

**Beneficial ownership information should be publicly available, so that developing country governments could more easily follow the money trails of tax evasion, drug trade, bribery, human trafficking, etc. that is originating in their country.** The High Level Principles on Procurement that will be adopted at the Summit this year and the individual country-level action plans on implementing Beneficial Ownership principles adopted last year, provides an opportunity for governments to make beneficial ownership information publicly available in open data format.

Companies with hidden owners or anonymous companies, can be used to hide money from tax collectors, or hide the proceeds of crimes that are destabilizing to developing countries, like drug trafficking, human trafficking that affects women disproportionately, animal poaching, bribery, corruption, production and sale of counterfeit goods, etc. Often, these anonymous companies are created in developed countries.

A report by The B Team- a global group of business leaders- made a strong business case for beneficial ownership transparency. They noted that beneficial ownership transparency benefits business by increasing competitiveness, reducing risk by knowing who you are doing business with, managing financial exposure and increasing stability.

### **Public Country-by-Country Reporting**

**Making country by country reporting information publicly available is the most cost effective and efficient way of ensuring that developing countries have timely and low-cost access to information that they need in order to determine the risk of a given multinational company engaging in aggressive profit-shifting activities.**

A recent report by IMF noted that the loss of revenue from Base Erosion and Profit Shifting (BEPS) is nearly three times as high in GDP terms as that of OECD countries<sup>2</sup>. Unfortunately, one of the key measures

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<sup>1</sup> Centre for Budget and Governance Accountability, Christian Aid, Eurodad, Global Financial Integrity, Global Witness, Latin American Network on Debt, Development and Rights, Tax Justice Network, Tax Justice Network-Africa, and Transparency International

<sup>2</sup> <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42973.0>

adopted by the OECD and G20 in order to combat profit shifting, the reporting of financial information by companies on a country-by-country basis, may not be shared quickly or easily with developing countries. As per the current OECD standard, this crucial information will only be available to developing countries after specific, formal request and review of data privacy standards, etc. In addition, unless the public, legislators, academics, civil society, and journalists can see the effects of profit shifting, practices that are bleeding developing countries of critically needed revenue will not be made illegal.

### **Automatic Exchange of Information**

**Providing a temporary period where developing countries do not have to reciprocate in exchange of information will enable developing countries to benefit from receiving information before bearing the costs of compliance.**

Developing countries have a greater need for information from other countries to effectively tax their international taxpayers. An estimated 33% of all assets of the Middle East and Africa held offshore and about 25% for Latin America; globally, it is 6%<sup>3</sup>. The current requirements for information exchange require all participating countries to ensure they can provide comprehensive information on foreign owned accounts under their jurisdiction. This requirement is much harder for developing countries to comply with than OECD countries, and also much less necessary; there is no suspicion that significant undeclared assets are hidden in developing countries financial institutions.

G20 should also ensure that all financial centres collect and publish annually, statistical data on the aggregate sums coming into and leaving their financial system, broken down by country of residence of the account holder and of controlling persons. This will help developing countries to identify the potential of AEoI, focus their attention on the highest risk jurisdictions as they integrate into information exchange as well as help focus the pilot programme projects.

### **International Institutional Architecture**

**A universal intergovernmental body under the auspices of the UN should be established and be provided with additional resources through core UN funds to establish a truly global forum for international tax matters.**

International standards and regimes currently being created and reformed are through processes where developing countries do not have a vote but result in effectively creating 'global' standards that everyone has to follow. An inclusive intergovernmental UN body needs to have a broad mandate and appropriate financing and staff to ensure it leads in collaboration with the OECD, the IMF, the WB, regional bodies and other relevant institutions, to effective global cooperation in tax matters.

Thank you for your consideration of these points. Comments or questions should be addressed to: [pooja@financialtransparency.org](mailto:pooja@financialtransparency.org)

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<sup>3</sup> Global Forum on Transparency and Exchange of Information for Tax Purposes, Automatic Exchange of Information: A Roadmap for Developing Country Participation, August 2014