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Switzerland passes OECD grey list hurdle



Paradeplatz in Zurich, centre of the Swiss banking sector, is gearing up for the changes (Keystone)

by Mathieu van Berchem in Paris, swissinfo.ch

Switzerland has remained off a grey list of uncooperative tax havens after making "significant" steps in exchanging tax data, but it still needs to be more transparent.

A largely positive peer review on Swiss tax cooperation was carried out by the Global Forum on Transparency and Exchange of Information for Tax Purposes and presented in Bermuda on Wednesday.

The review found that while Switzerland had made progress in meeting global tax cooperation requirements over the past two years, several areas needed improvement.

In particular, 12 bilateral taxation agreements revised in the past two years did not entirely conform to international norms. More efforts were needed, according to the Global Forum report, but Switzerland could in theory move onto the next stage of the review process.

This initial peer review looked at whether the basic legal mechanisms existed in Switzerland to meet international standards for exchanging banking information.

On track

The review was widely regarded as a crucial hurdle for Switzerland to cross.

Since breaking with banking secrecy in 2009, it has been revising its double taxation accords to bring it in line with the Organisation for Economic Co-operation and Development standards – a requirement in order to stay off the OECD's grey list of uncooperative tax havens set up in 2009.

Representatives from Denmark, Argentina and the forum secretariat spent three months investigating Switzerland's progress before submitting their report for review by peers.

The result? Good, but could do better. "Switzerland's approach to the exchange of information for tax purposes has changed significantly over the past two years," states the report. But while Switzerland "moved rapidly" to update its tax accords, it was not "fully in line" with international standards.

The report notes that Switzerland has to improve its administrative assistance procedures – the legal steps by which Swiss account data can be shared with

countries cracking down on suspected tax evaders.

"Switzerland has made it 95 per cent of the way, but not the last five per cent, unlike some other countries," noted the forum secretary Pascal Saint-Amans back in March.

"Switzerland is on track," said the Swiss finance ministry in response to the report. "According to the report by the Global Forum, Switzerland has clearly satisfied a whole host of criteria."

Tax accords

The Global Forum especially appreciated moves led by Finance Minister Eveline Widmer-Schlumpf and accepted by the cabinet in easing requirements for data sharing.

Widmer-Schlumpf sparked controversy in February when she said it should no longer be essential that other governments provide the name and address of a bank account holder when making a request for administrative assistance. In other words, Bern could cooperate with a country, even if it provides only some information such as an account number or IBAN.

The minister argued the identification of the people in question was done by other means.

The Swiss cabinet agreed to update double taxation accords in line with the new proposal but the agreements still need to go before parliament. As the Global Forum will only officially recognise the measures once they are legally binding, the report states that current mechanisms are inadequate for sharing the identity of account holders.

One first double taxation agreement is already paving the way however. The accord with Singapore was signed in February and accepted by parliament in April.

Close

The Global Forum also recommends more effective ways of clarifying ownership, accounting and bank information for foreign entities with a permanent set-up in Switzerland.

"The report nevertheless states that Switzerland is close to satisfying requirements," states the Swiss finance ministry.

"Given that, like many other countries, it [Switzerland] has not fulfilled all the criteria, the Global Forum has recommended it take several measures. Switzerland will examine the application of these recommendations."

Bern now has six months to submit a report to the OECD showing its attempts to resolve outstanding issues from the first peer review.

Switzerland will then move onto the next review phase in the second half of 2012 which assesses how it is putting its tax cooperation into practice.

Mathieu van Berchem in Paris, swissinfo.ch

(adapted from French by Jessica Dacey)

GALLERIES



Banking security

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GLOBAL FORUM

The Global Forum on Transparency and Exchange of Information for Tax Purposes is the multilateral framework within which work in the area of transparency and exchange of information has been carried out by OECD and non-OECD economies since 2000.

The Forum includes the G20 states, OECD members and other states recognising international norms in administrative assistance.

It uses peer reviews to assess countries' administrative aid steps. The assessment happens in two stages. To date, more than 30 states have been reviewed at the first or second phase.

In addition, the Global Forum has, since 2006, produced an annual assessment of the legal and administrative framework for transparency and exchange of information in over 80 jurisdictions.

TAX RELATIONS

In 2009, Switzerland bowed to international pressure by agreeing to provide administrative assistance to other countries in cases of tax evasion. Previously, Swiss assistance had only been given when there was evidence of tax fraud.

To take this change into account, Switzerland embarked on renegotiating double taxation agreements (DTAs) with many countries.

The Swiss have renegotiated around 30 new DTAs since it agreed to comply with OECD rules on cross-border assistance in 2009. But Switzerland has resisted pressure from the European Union and the OECD to agree to an automatic exchange of information.

Instead, it has offered to lower its criteria of evidence before giving administrative assistance.

The Swiss authorities have traditionally only responded to calls for assistance when a name of a tax fraud suspect could be produced. Given the strict nature of Swiss

banking secrecy, it is often difficult to obtain this information. But Switzerland is likely to lower the threshold for identification by accepting numbers of bank accounts.

LINKS

- [Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
- [OECD and Switzerland](#)
- [Article 26 of the OECD Model Tax Convention](#)
- [Swiss Coordination Centre for Research in Education \(German, French\)](#)

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