

G-8 Finance Ministers to Discuss OECD Blacklist

by David D. Stewart

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At the June 13-14 G-8 Finance Ministers Meeting in Osaka, Japan, representatives will discuss a move by some members to revisit the OECD blacklist of uncooperative tax havens.

A Treasury official told Tax Analysts on June 11 that the department was aware of a push by Germany and France to call on the OECD to renew its efforts on tax havens and that the issue would be discussed at the G-8 meeting. He declined, however, to offer any other comment on the issue before the ministers issue their communiqué.

The OECD blacklist has diminished in recent years from its original 35 named jurisdictions to the current group that includes only Liechtenstein, Monaco, and Andorra. The other 32 jurisdictions have been removed from the list as they have agreed to implement reforms.

The move by France and Germany is an effort to relist some offenders who have not followed through with commitments for reform, the *Financial Times* reported May 8.

"There are some countries which said they would cooperate and which were then removed from the list, but in practice they have not at all," said an unnamed French official, according to the *Financial Times* report.

The renewed blacklist effort has been spurred on in large part by the recent tax scandal involving money sheltered by Liechtenstein's secrecy laws. The scandal was only discovered after a former employee of a Liechtenstein bank sold account information to German tax authorities. The scandal has offered a rare glimpse into how widespread such tax evasion may be and has forced the resignation of Deutsche Post CEO Klaus Zumwinkel.

U.S. authorities are conducting their own investigation into activities by UBS employees who allegedly aided U.S. taxpayers in sheltering income through secret accounts in Liechtenstein and Switzerland. (For prior coverage of the UBS probe, see *Doc 2008-12746* [[PDF](#)] or *2008 WTD 113-2* [📄](#).)

The OECD blacklist sought to identify jurisdictions it considered to be engaged in what it considers harmful tax competition and threatened to sanction jurisdictions that did not change their practices before July 31, 2001. The Netherlands Antilles and the Isle of Man were among the first jurisdictions to leave the list and did so by reaching an agreement with the OECD to eliminate their "harmful tax practices" by December 31, 2005. (For prior coverage of the Netherlands Antilles and the Isle of Man agreements, see *Doc 2000-33722* or *2000 WTD 245-1* [📄](#).)

The OECD first laid out its identifying criteria in its 1998 report "Harmful Tax Competition: An Emerging Global Issue." The original four criteria, which included the existence of a low or zero tax regime and ring-fencing, have been reduced to two criteria focusing on the lack of transparency of a tax regime and the lack of information exchange.

The OECD itself has expressed a desire to revisit the blacklist and to perhaps replace it with a more fluid grading system that would measure a jurisdiction's compliance with international standards. Speaking in Washington on April 8, Pascal Saint-Amans, head of the International Co-operation and Tax Competition Division at the OECD's Centre for Tax Policy and Administration, said not all jurisdictions that have signed agreements with the OECD have carried them out. Saint-Amans cited concern with Panama, the Bahamas, and the Cayman Islands. The current list is not necessarily a reflection of which jurisdictions would be considered uncooperative under the OECD's criteria, he said. (For prior coverage of the OECD's recent anti-tax-evasion efforts, see *Doc 2008-7770* [[PDF](#)] or *2008 WTD 69-2* [📄](#).)

It remains to be seen whether any action will be taken at the G-8 Finance Ministers Meeting, but Raymond Baker, director of the Global Financial Integrity Project and senior fellow at the Center for International Policy, believes the issue will be addressed soon.

Baker supports the revitalization of blacklist efforts by both the OECD and the Financial Action Task Force (FATF), but told Tax Analysts in a June 12 interview that the efforts by Germany and France will likely face opposition.

"The U.S. will be particularly reluctant," he said.

Baker believes that U.S. opposition to blacklisting will come in part from the fact that many states have created business entity structures that may run afoul of FATF guidelines in that they do not require registration of beneficial ownership. However, he sees the recent Liechtenstein tax scandal as a major catalyst that will force officials to address tax havens soon.

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