Tax and Transparency Lough Erne Scorecard

The 2013 G8 summit at Lough Erne in Northern Ireland was notable for a number of ambitious commitments around tax and transparency. If these commitments are realised they have a huge potential to help developing countries raise the revenues they need for sustainable development, and to provide the transparency to help tackle corruption and ensure accountability.

As a result the Lough Erne declaration and communiqué was warmly welcomed by many as a significant moment. It was a sign that these issues were now firmly on the global agenda. The recent G7 summit in Brussels saw a broad reaffirmation of the issues, and saw David Cameron state, 'with these agreements, the Lough Erne agenda on transparency, tax and trade has been hard-wired into these international summits for many years to come'.

While the words may be good, the actions are what really matters. We have therefore sought, in the table below, to chart the G8 countries' progress on these commitments. We have awarded ratings of red (no discernable progress), amber (some progress, but not on track) and green (meeting or exceeding commitment). In several of the areas we have subdivided the ratings to demonstrate the wide range of progress, either by different G8 countries, or between progress on the issue that will benefit developed countries on the one hand, and developing countries on the other.

Sadly the verdict is that while there has been some progress in some countries and in some areas, there is still a long way to go. What is especially concerning is how slow the progress has been for developing countries, whose citizens suffer the most from illicit financial flows. We are of course pleased that transparency issues – over tax, company ownership and revenues from extractive companies – are now hard-wired into international summits such as the G8. But, so far, progress in turning words into actions has been patchy at best. The G8 as a group needs to do more to live up to the promises made at Lough Erne.

What G8 Countries Said At The 2013 Lough Erne Summit	What we understood the statements to mean	What Has Happened Since June 2013	Score: Progress So Far
Transparency around companies' real owners			
Companies should know who really owns them and tax collectors and law enforcers should be able to obtain this information easily. We agree to publish national Action Plans to make information on who really owns and profits from companies and trusts available to tax collection and law enforcement agencies, for example through central registries of company beneficial ownership.	G8 countries all made a commitment to make progress and ensure that: • Companies know the identities of the actual people who own them. • Both tax and law enforcement enforcers in all countries where a company is operating are able to find out who really owns the company.	Progress here is very mixed. While all G8 countries have published Action Plans, most have done little else. Only the, UK has made a firm commitment to a public register of who really owns companies. Its work towards creating the new register is the most important single success so far to have flowed from the G8's 2013 Summit. France has indicated that it is inclined to follow suit. The UK has also called on the EU and the UK's Overseas Territories and Crown Dependencies to implement public registers of the hundreds of thousands of companies registered on their shores. All the Overseas Territories and Crown Dependencies have agreed to consult on the question, but none have said they are likely to follow the UK lead. In the EU, the European Parliament – with strong support from France, and some support from the UK – has supported the call for public registers, but a final position still needs to be negotiated with the Council. So while there is exciting progress in some countries, there remains a long way to go before the commitments are realised – for example the USA, which last year promised to advocate for comprehensive legislation has yet to deliver any meaningful change. **The G7 countries need to lead from the front and ensure that the momentum developed last year is not lost.**	While the UK and France have made significant progress and commitments, this has not been matched across the G7/8 (and their associated territories and dependencies), there remains a long way to go[i]. UK France USA Canada Germany Italy Japan Russia G8 Overall

Automatic Exchange of Information			
Tax authorities across the world should automatically share information to fight the scourge of tax evasion Developing countries should have the information and capacity to collect the taxes owed them – and other countries have a duty to help them We will support developing countries to collect the taxes owed them, with access to the global tax information they need… will work with the Organisation for Economic Cooperation and Development (OECD) to develop rapidly a multilateral model It is important that all jurisdictions, including developing countries, benefit from this new standard in information exchange. We therefore call on the OECD to work to ensure that the relevant systems and processes are as accessible as possible to help enable all countries to implement this new standard	G8 leaders made a clear commitment to a system of Automatic Information Exchange that works for all countries, including developing countries. This would see countries sharing information with each other about the money held within their borders by foreign taxpayers, to help catch tax evaders and others with cash to hide. Especially notable were the following: • The commitment to a multilateral system through which many countries will share information (rather than a bilateral system composed of many individual agreements with just two countries involved in each). • The call on the OECD to make information sharing work for all countries, not just developed countries. • Acknowledgement of G8 countries' duty to help developing countries.	There have been rapid developments in Automatic Information Exchange, but little focus on how to include developing countries in the new system: • The OECD has designed a new standard for information exchange, but with no reference to how developing countries can use it. • All indications are that it will be a bilateral, rather than a multilateral model, so information sharing will be between pairs of countries, not larger groups. • Tax havens such as Switzerland have made it clear developing countries are unlikely to gain access to their information on foreigners' bank accounts and so on, despite the fact that tax havens hold billions owed to poor countries. • While 45 countries have committed to early adoption of automatic information exchange only one lower middle income country, and no low income countries are included. • Developing countries' needs have been relegated to a report being prepared for the G20 on how they can be supported to implement automatic information exchange – very different to the G8 commitment of 'ensuring the systems and processes are as accessible as possible'. • Despite the 'duty' they recognised to help developing countries, G8 countries have not publicly made any commitments to boost poor countries' ability to collect the taxes they are owed. **Time is running out to ensure these commitments are implemented, as the OECD/G20 are looking to finalise decisions by September. The G7 countries need to use their power to insist on improvement before then.**	While progress is promising for developed countries, if we assess progress against the commitments made for developing countries the actions are falling very short. Progress on Automatic Information Exchange benefitting developed/G20 countries Progress on Automatic Information Exchange benefitting developing countries

Reform of international rules on tax, including for multinationals			
We will act to restore confidence in the fairness and effectiveness of our international tax rules and practices, and to ensure that each country is able to collect taxes owing and that developing countries are also able to secure the benefits of progress made on this agenda…emphasise importance of the OECD developing an ambitious and comprehensive action plan. Countries should change rules that let companies shift their profits across borders to avoid taxes, and multinationals should report to tax authorities what tax they pay where. Comprehensive and relevant information on the financial position of multinational enterprises aids all tax administrations effectively to identify and assess tax risks… We call on the OECD to develop a common template for country-by-country reporting …this will improve the flow of information between multinational enterprises and tax authorities in the countries in which the multinationals operate to enhance transparency and improve risk assessment. The ongoing OECD work will involve continued engagement with all stakeholders, including developing countries	Ambitious reform was promised, including: • Ambitious and comprehensive action plan – all international tax issues should be on the table. • Developing countries will benefit from these reforms. • Countries have an obligation to change rules to ensure that they are not facilitating profit shifting • Tax authorities everywhere should have access to new country-by- country reports, showing multinationals' finances separately for each country in which they operate. • The OECD will have meaningful engagement with countries outside its members, including developing countries.	While the OECD/G20 BEPS (Base Erosion Profit Shifting) Action Plan has generated a huge volume of discussion and lobbying, it is not as ambitious and comprehensive as promised. The focus remains on fixing the current system rather than seeking to identify all options and choosing the best. What is especially disappointing is that despite G8 countries' talk of including developing countries, their concerns have been rapidly pushed to the margins. • Despite the OECD's own previous recommendations to do so, no assessment of the impact of the BEPS reforms on developing countries is planned. • Rich countries are focussing only on the impact of BEPS reforms on their own revenues. • Plans to require multinationals to produce country-by-country reports are being scaled back, such that they will not be 'comprehensive'. • There is also a strong business lobby to restrict the circulation of such reports to only the authorities where each multinational is headquartered. This would prevent many developing (and other) countries obtaining the information, which would harm their ability to tax multinationals. • While the OECD has held three regional consultations about BEPS, this is not the same as enabling developing countries to play a meaningful role in decisions about reform as an equal negotiating partner. **G7 countries should insist that as a minimum, there must be an assessment of all BEPS action plan proposals, in relation to their impact on and appropriateness for developing countries.**	While it is clear that BEPS will not address all the tax problems facing developing countries, there is still time to inject further ambition, include developing countries and assess the impacts on them of proposed reforms. But even this will require significant changes that currently seem unlikely. Progress that will benefit developed/G20 countries Progress that will benefit developing countries

Extractive Companies Reporting			
Extractive companies should report payments to all governments - and governments should publish income from such companies. The G8 will take action to raise global standards for extractives transparency and make progress towards common global reporting standards, both for countries with significant domestic extractive industries and the home countries of large multinational extractives corporations. EU G8 members will quickly implement the EU Accounting and Transparency Directives. Canada will launch consultations with stakeholders across Canada with a view to developing an equivalent mandatory reporting regime for extractive companies within the next two years.	A clear commitment to lead a process to create a global standard for extractive industries reporting. This will help provide the level of transparency needed for both companies and governments to be held to account both where companies are based and where extractive resources are found.	The EU has already passed laws covering all 28 states requiring effective revenue disclosure by extractive and logging companies. EU G8 countries have committed to swift transposition of these laws. Canada is also committed to having an effective reporting regime in place by 2015. In the US, however, a legal challenge from the American Petroleum Institute has delayed the implementation of US rules. The US should respond strongly to this attempt to undermine the global standard by issuing a rule that matches EU requirements. Japan and Russia appear to have taken no action on this issue.	EU G8 countries (UK, France, Italy, Germany) Canada USA Japan Russia

Other Tax Commitments			
We will continue to provide practical support to developing countries' efforts to build capacity to collect the taxes owed to them and to engage in and benefit from changing global standards on exchange of information, including automatic exchange of information.	This was a clear commitment to help developing countries collect their own tax revenues and provide resources for sustainable development. It clearly implied a step-change from the current situation in which only 0.1% (1p in every £10) of aid goes towards supporting tax collection.	Talk of increased capacity building, by both the UK and the OECD, has not been matched by reality. For example, only a small percentage of countries have said they will help poor countries to participate in tax information exchange. To give developing countries the confidence to embark on the significant reforms their tax collection work needs, long term commitments from donors are required. Such commitments currently lag far behind what is needed. **This needs to change if the ambitions are to be realised. G7 countries can lead on this.**	Some small scale initiatives aside (e.g. Tax Inspectors Without Borders) there has been little progress
We ask the OECD to find ways to address the concerns expressed by developing countries on the quality and availability of the information on comparable transactions that is needed to administer transfer pricing effectively.	An acknowledgement that developing countries face significant challenges in administering transfer pricing under the OECD's Arm's Length Principle.	A consultation was launched on comparables but it was narrowly focussed. It failed, as with the BEPS process, to ask whether the use of comparables is actually appropriate for developing countries and to stimulate discussion on potential alternatives that may be more effective for developing countries. It was also notable that the consultation did not refer to alternative approaches such as those adopted by Brazil and China, which may be of more use to developing countries than the OECD approach.	While a welcome acknowledgement of the problem, the approach to addressing the problem is too narrow to lead to significant progress.

[i] An initial review of G8 country commitments was undertaken in November 2013 by Global Witness and Christian Aid (http://www.globalwitness.org/sites/default/files/library/GW_CA_Company%20Ownership%20Paper_download.pdf), since then there has been no delivery on the US action plan and so their rating has been changed to red, while Canada did ask for views on creating a central (non-public) register in its consultation and so has been rated amber.