

Key Financial Secrecy Indicators

7: Fit for Information Exchange

What is being measured?

This indicator asks whether resident paying agents (such as joint stock companies and financial institutions) are required to report to the domestic tax administration information on all payments (of dividends and interest) to all non-residents.

In order to assess this indicator we have mainly relied¹ on our TJN-Survey 2013, on the OECD publication entitled "[Tax Administration 2013: Comparative Information on OECD and Other Advanced and Emerging Economies](#)" published in 2013², and on the IBFD database³. In addition, we have enquired with country experts in instances where the available information appeared contradictory.

Why is it important?

In many countries, dividend payments and interest payments are automatically reported to the tax administrations, not least to levy withholding taxes. Obviously, in the case of dividend payments, this information is reported by joint stock companies, and in the case of interest payments, the reporting institutions are mainly banks.

However, this reporting requirement is frequently limited to payments to resident taxpayers. Payments to non-residents are often not (comprehensively) reported, especially if the specific underlying income payments are tax exempt, either for non-residents, or for everybody. Alternatively, only particular categories of non-residents (e.g. residents of the European Union) may be covered by reporting while others are not. Furthermore, some types of interest or dividend payments may be reportable, while others (such as interest on bank deposits or government bonds) are not.

The absence of current, regular and reliable information of all such income payments prevents the tax administration from answering information requests by relevant foreign counterparts in a timely and accurate manner. The information reported would inform the tax administration not only about the level of payments, but also the identity of the recipient.

Without regular information being provided by paying agents (banks and companies), the tax administration will often not even know about the existence of a certain financial account or company in the name of the non-resident person who receives the payment. Even if the tax administration wanted to cooperate with effective automatic or spontaneous information exchange to foreign counterparts, it could not do so since it has not obtained the necessary information.

The outcome of this absence of information reporting is that non-residents are encouraged to hold their bank deposits, financial accounts and company ownership records offshore in order to evade tax in their country of residence. Similarly, bribe payments, money laundering operations, and other illicit activity can more easily hide in a country where dividend and interest payments are not regularly reported to the tax administration.

This holds true for countries which apply anonymous withholding taxes for their residents or even non-residents, such as Germany. There is an incentive to invest fresh untaxed money into a bank account if the evader can be certain that there will be no report sent to the tax administration concerning the account balance and interest payments. While the withholding tax may be applied correctly, the underlying, and often much larger problem of evading income taxes on the principal (e.g. consultancy fees paid via an offshore entity), and not merely on the investment income, cannot be addressed by (domestic or international) anonymous withholding taxes.

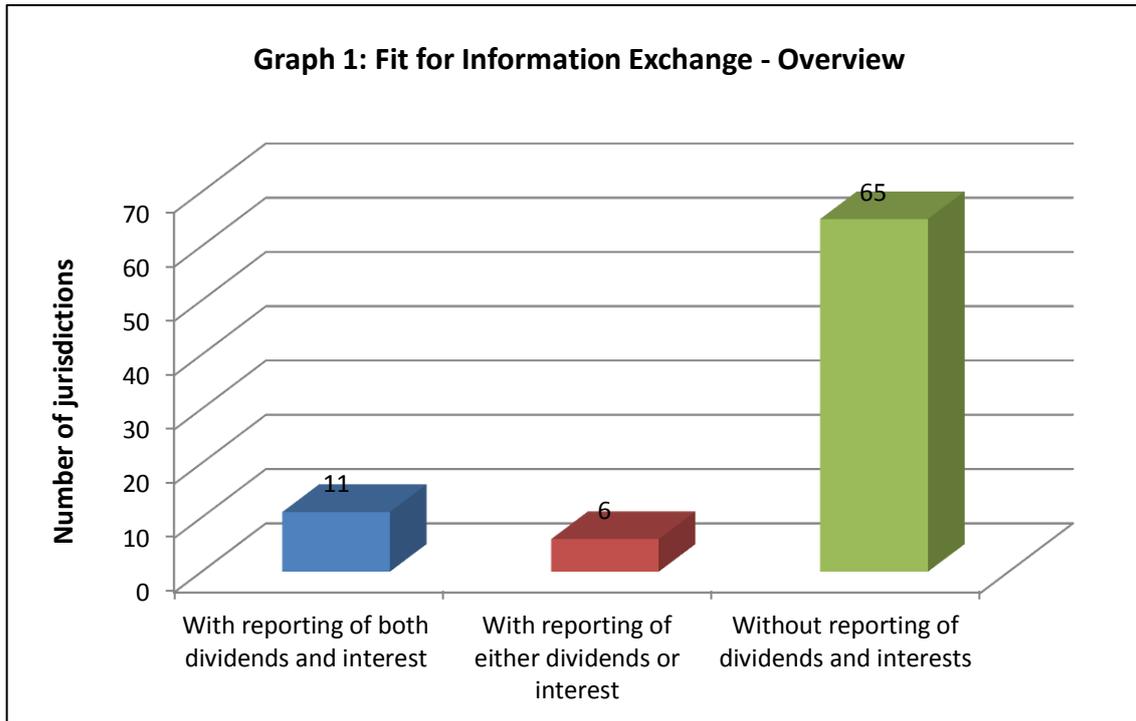
[Automatic tax information exchange](#)⁴ requires as a first step that (income) information is reported regularly by all paying agents to the tax administration, irrespective of whom or where the recipients of the payments are. Without such a reporting requirement, a tax administration cannot be fit for information exchange.

What are the crimes that might hide behind a lack of reporting obligations?

Evasion of income taxes on business income and investment income, hiding of the proceeds of corruption, organised crime (especially drug trafficking), illegal arms trading, trafficking in human beings, money laundering, the covering of illicit intelligence activity, non-payment of alimonies, and other economic crimes can be hidden behind the opacity arising from the lack of reporting obligations.

Results Overview

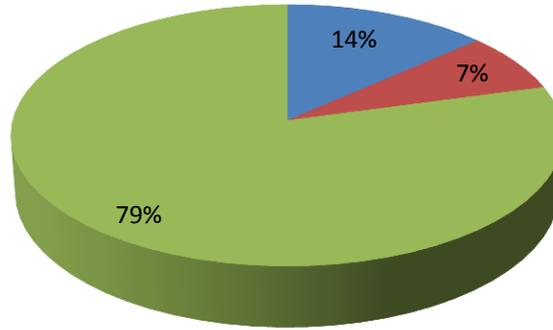
Number of jurisdictions with reporting of both dividends and interest	11
Number of jurisdictions with reporting of either dividends or interest	6
Number of jurisdictions without reporting of dividends and interests	65



Suitable data was not available for some jurisdictions⁵. In these instances the jurisdiction has been classified as if no reporting takes place because the relevant Ministries of Finance were given ample time and opportunity to respond to our questionnaires.

Results Detail

Graph 2: Fit for Information Exchange - Details



- With reporting of both dividends and interest: AU; BR; CA; DK; ES; FR; JP; KR; NZ; PT; SE
- With reporting of either dividends or interest: HU; IE; LV; NL; NO; ZA
- Without reporting of dividends and interest: All other jurisdictions

Table 2: Dividend or Interest Payment - Details

Country	ISO	Dividend Reporting Only	Interest Reporting Only
Hungary	HU	X	
Ireland	IE	X	
Latvia	LV	X	
South Africa	ZA	X	
Netherlands	NL		X
Norway	NO		X

Table 3: Fit for Information Exchange - Details

ID	Country	ISO	Reports	ID	Country	ISO	Reports
1	Andorra	AD	No	42	Korea	KR	Full
2	Anguilla	AI	No	43	Latvia	LV	Part
3	Antigua & Barbuda	AG	No	44	Lebanon	LB	No
4	Aruba	AW	No	45	Liberia	LR	No
5	Australia	AU	Full	46	Liechtenstein	LI	No
6	Austria	AT	No	47	Luxembourg	LU	No
7	Bahamas	BS	No	48	Macau	MO	No
8	Bahrain	BH	No	49	Malaysia (Labuan)	MY	No
9	Barbados	BB	No	50	Maldives	MV	No
10	Belgium	BE	No	51	Malta	MT	No
11	Belize	BZ	No	52	Marshall Islands	MH	No
12	Bermuda	BM	No	53	Mauritius	MU	No
13	Botswana	BW	No	54	Monaco	MC	No
14	Brazil	BR	Full	55	Montserrat	MS	No
15	British Virgin Islands	VG	No	56	Nauru	NR	No
16	Brunei	BN	No	57	Netherlands	NL	Part
17	Canada	CA	Full	58	New Zealand	NZ	Full
18	Cayman Islands	KY	No	59	Norway	NO	Part
19	Cook Islands	CK	No	60	Panama	PA	No
20	Costa Rica	CR	No	61	Philippines	PH	No
21	Curacao	CW	No	62	Portugal (Madeira)	PT	Full
22	Cyprus	CY	No	63	Russia	RU	No
23	Denmark	DK	Full	64	Samoa	WS	No
24	Dominica	DM	No	65	San Marino	SM	No
25	Dominican Republic	DO	No	66	Saudi Arabia	SA	No
26	France	FR	Full	67	Seychelles	SC	No
27	Germany	DE	No	68	Singapore	SG	No
28	Ghana	GH	No	69	South Africa	ZA	Part
29	Gibraltar	GI	No	70	Spain	ES	Full
30	Grenada	GD	No	71	St Kitts and Nevis	KN	No
31	Guatemala	GT	No	72	St Lucia	LC	No
32	Guernsey	GG	No	73	St Vincent & Grenadines	VC	No
33	Hong Kong	HK	No	74	Sweden	SE	Full
34	Hungary	HU	Part	75	Switzerland	CH	No
35	India	IN	No	76	Turks & Caicos Islands	TC	No
36	Ireland	IE	Part	77	United Arab Emirates (Dubai)	AE	No
37	Isle of Man	IM	No	78	United Kingdom	GB	No
38	Israel	IL	No	79	Uruguay	UY	No
39	Italy	IT	No	80	US Virgin Islands	VI	No
40	Japan	JP	Full	81	USA	US	No
41	Jersey	JE	No	82	Vanuatu	VU	No

¹ To see the sources we are using for particular jurisdictions please check out the assessment logic table in Annex C here <http://www.financialsecrecyindex.com/PDF/FSI-Methodology.pdf> and the corresponding information for individual countries in our database, available at www.financialsecrecyindex.com/database/menu.xml.

² http://www.keepeek.com/Digital-Asset-Management/oced/taxation/tax-administration-2013_9789264200814-en; 15.07.2013.

³ <http://online.ibfd.org/kbase/>; 15.07.2011.

⁴ <http://www.taxjustice.net/cms/upload/pdf/AIE2012-TJN-Briefing.pdf>; 25.07.2013. Also see http://www.taxjustice.net/cms/upload/pdf/AIE_100926_TJN-Briefing-2.pdf; 15.07.2011.

⁵ To see the sources we are using for particular jurisdictions please check out the assessment logic table in Annex C here <http://www.financialsecrecyindex.com/PDF/FSI-Methodology.pdf> and the corresponding information for individual countries in our database, available at www.financialsecrecyindex.com/database/menu.xml.