

# KEY FINANCIAL SECRECY INDICATORS

## Key Financial Secrecy Indicator 7: Fit for Information Exchange

### What is measured?

This indicator enquires into 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, without exceptions.

In order to assess this indicator we have principally relied<sup>1</sup> on our TJN-Survey 2015, on the OECD publication entitled “Tax Administration 2015: Comparative Information on OECD and Other Advanced and Emerging Economies”<sup>2</sup>, and on the IBFD database<sup>3</sup>. In addition, we have consulted legal sources and/or country experts in instances where the available information appeared contradictory or uncertain. For instance, whenever the OECD noted that reporting and withholding of taxes was available in one jurisdiction but IBFD described exceptions to withholding of taxes, we considered that there were exceptions to reporting too, unless another source suggested the contrary.

### Why is this important?

In many countries, dividend payments and interest payments are automatically reported to the tax administrations, not least to levy withholding taxes. In the case of dividend payments, this information is reported mainly by joint stock companies and/or by custodian banks, 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. those resident in countries selected for automatic information exchange under the [new OECD Common Reporting Standard, CRS<sup>4</sup>](#)) 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 tax administrations 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 be hidden in a jurisdiction 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.

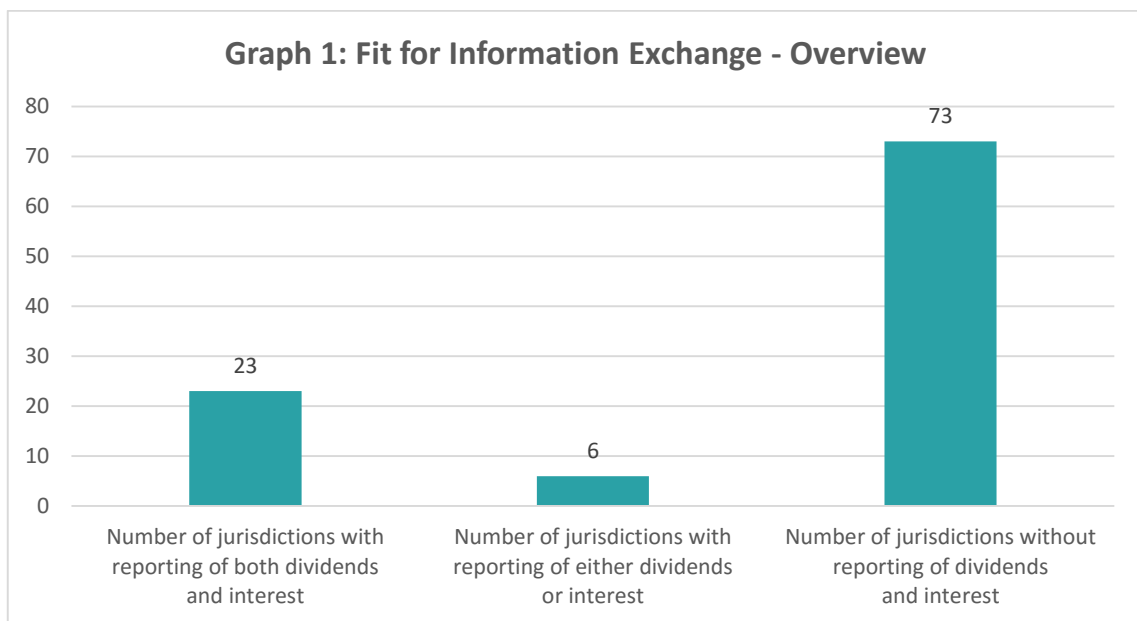
[Automatic tax information exchange](#)<sup>5</sup> requires as a first step that (income) information is reported regularly by all paying agents to the tax administration, irrespective of whom or where the recipients of the payments are. Without such a reporting requirement, a tax administration cannot be deemed fit for information exchange.

### What crimes might be hidden behind a lack of reporting obligations?

Evasion of income taxes on business income and investment income, hiding of the proceeds of bribery, 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

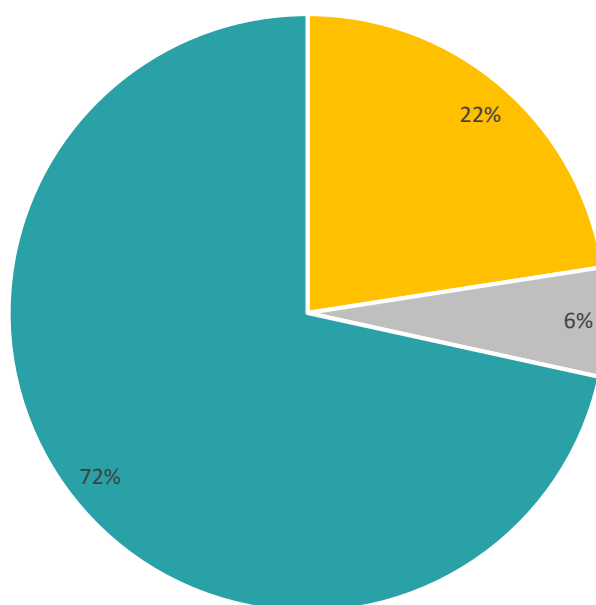
Table 1: Fit for Information Exchange – Overview	
Number of jurisdictions with reporting of both dividends and interest	23
Number of jurisdictions with reporting of either dividends or interest	6
Number of jurisdictions without reporting of dividends and interest	73



Suitable data was not available for some jurisdictions<sup>6</sup>. 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**



- Number of jurisdictions with reporting of both dividends and interest:  
AU, BR, CA, CL, CR, CZ, DK, FI, FR, GR, IS, IN, IT, JP, KR, NZ, NO, PL, SA, ZA, ES, SE, TR
- Number of jurisdictions with reporting of either dividends or interest:  
IE, IL, MX, NL, PT, RU
- Number of jurisdictions without reporting of dividends and interest:  
All other jurisdictions

Table 2: Reporting of Dividend or Interest Payment - Details			
Country	ISO	Dividend Reporting Only	Interest Reporting Only
Ireland	IE	X	
Israel	IL	X	
Mexico	MX		X
Netherlands	NL		X
Portugal (Madeira)	PT		X
Russia	RU	X	

**Table 3: Fit for Information Exchange - Details**

ID	Country	ISO	Reports	ID	Country	ISO	Reports
1	Andorra	AD	None	52	Latvia	LV	None
2	Anguilla	AI	None	53	Lebanon	LB	None
3	Antigua & Barbuda	AG	None	54	Liberia	LR	None
4	Aruba	AW	None	55	Liechtenstein	LI	None
5	Australia	AU	Full	56	Luxembourg	LU	None
6	Austria	AT	None	57	Macao	MO	None
7	Bahamas	BS	None	58	Macedonia	MK	None
8	Bahrain	BH	None	59	Malaysia (Labuan)	MY	None
9	Barbados	BB	None	60	Maldives	MV	None
10	Belgium	BE	None	61	Malta	MT	None
11	Belize	BZ	None	62	Marshall Islands	MH	None
12	Bermuda	BM	None	63	Mauritius	MU	None
13	Bolivia	BO	None	64	Mexico	MX	Part
14	Botswana	BW	None	65	Monaco	MC	None
15	Brazil	BR	Full	66	Montenegro	ME	None
16	British Virgin Islands	VG	None	67	Montserrat	MS	None
17	Brunei	BN	None	68	Nauru	NR	None
18	Canada	CA	Full	69	Netherlands	NL	Part
19	Cayman Islands	KY	None	70	New Zealand	NZ	Full
20	Chile	CL	Full	71	Norway	NO	Full
21	China	CN	None	72	Panama	PA	None
22	Cook Islands	CK	None	73	Paraguay	PY	None
23	Costa Rica	CR	Full	74	Philippines	PH	None
24	Curacao	CW	None	75	Poland	PL	Full
25	Cyprus	CY	None	76	Portugal (Madeira)	PT	Part
26	Czech Republic	CZ	Full	77	Russia	RU	Part
27	Denmark	DK	Full	78	Samoa	WS	None
28	Dominica	DM	None	79	San Marino	SM	None
29	Dominican Republic	DO	None	80	Saudi Arabia	SA	Full
30	Estonia	EE	None	81	Seychelles	SC	None
31	Finland	FI	Full	82	Singapore	SG	None
32	France	FR	Full	83	Slovakia	SK	None
33	Gambia	GM	None	84	Slovenia	SI	None
34	Germany	DE	None	85	South Africa	ZA	Full
35	Ghana	GH	None	86	Spain	ES	Full
36	Gibraltar	GI	None	87	St Kitts and Nevis	KN	None
37	Greece	GR	Full	88	St Lucia	LC	None
38	Grenada	GD	None	89	St Vincent & Grenadines	VC	None
39	Guatemala	GT	None	90	Sweden	SE	Full
40	Guernsey	GG	None	91	Switzerland	CH	None
41	Hong Kong	HK	None	92	Taiwan	TW	None
42	Hungary	HU	None	93	Tanzania	TZ	None
43	Iceland	IS	Full	94	Turkey	TR	Full
44	India	IN	Full	95	Turks & Caicos Islands	TC	None
45	Ireland	IE	Part	96	United Arab Emirates (Dubai)	AE	None
46	Isle of Man	IM	None	97	United Kingdom	GB	None
47	Israel	IL	Part	98	Uruguay	UY	None
48	Italy	IT	Full	99	US Virgin Islands	VI	None
49	Japan	JP	Full	100	USA	US	None
50	Jersey	JE	None	101	Vanuatu	VU	None
51	Korea	KR	Full	102	Venezuela	VE	None

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<sup>1</sup> To see the sources we are using for particular jurisdictions please check out the corresponding information in our database, available at [www.financialsecrecyindex.com/database/menu.xml](http://www.financialsecrecyindex.com/database/menu.xml).

<sup>2</sup> [http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/tax-administration-2015\\_tax\\_admin-2015-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/tax-administration-2015_tax_admin-2015-en#page1); 26.08.2015.

<sup>3</sup> <http://online.ibfd.org/kbase/>; 21.07.2015.

<sup>4</sup> <http://www.taxjustice.net/wp-content/uploads/2013/04/TJN-141124-CRS-AIE-End-of-Banking-Secrecy.pdf>; 5.8.2015.

<sup>5</sup> <http://www.taxjustice.net/cms/upload/pdf/AIE2012-TJN-Briefing.pdf>; 21.07.2015. Also see [http://www.taxjustice.net/cms/upload/pdf/AIE\\_100926\\_TJN-Briefing-2.pdf](http://www.taxjustice.net/cms/upload/pdf/AIE_100926_TJN-Briefing-2.pdf); 21.07.2015.

<sup>6</sup> 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](http://www.financialsecrecyindex.com/database/menu.xml).