“Clamping down on tax havens”

A Nordic success story

A Nordic co-operation on tax information exchange agreements
with offshore financial centres

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Nordic co-operation

Nordic co-operation is one of the world's most extensive forms of regional collaboration, involving Denmark, Finland, Iceland, Norway, Sweden, and the Faroe Islands, Greenland, and Åland.

Nordic co-operation has firm traditions in politics, the economy, and culture. It plays an important role in European and international collaboration, and aims at creating a strong Nordic community in a strong Europe.

Nordic co-operation seeks to safeguard Nordic and regional interests and principles in the global community. Common Nordic values help the region solidify its position as one of the world's most innovative and competitive.

Nordic Council of Ministers

Ved Stranden 18
DK-1061 Copenhagen K
Phone (+45) 3396 0200

www.norden.org

2007

Isle of Man ✓

2008

Guernsey ✓

Jersey ✓

2009

Cayman Islands ✓

Bermuda ✓

British Virgin Islands ✓

Aruba ✓

Curacao ✓

Anguilla ✓

Turks & Caicos Islands ✓

Gibraltar ✓

Cook Islands ✓

Samoa ✓

2010

San Marino ✓

Andorra ✓

Bahamas ✓

Saint Vincent and the Grenadines ✓

Saint Kitts & Nevis ✓

Saint Lucia ✓

Dominica ✓

Grenada ✓

Antigua & Barbuda ✓

Monaco ✓

Belize ✓

Marshall Islands ✓

Vanuatu ✓

Liberia ✓

Montserrat ✓

Lichtenstein ✓

2011

Seychelles ✓

Macao (China) ✓

Costa Rica ✓

Bahrain ✓

Barbados ✓

Mauritius ✓

Uruguay ✓

2012

Guatemala ✓

Brunei Darussalam ✓

Panama ✓

Jamaica ✓

2013

Botswana ✓

Qatar ✓

Niue ✓

2014

Hong Kong (China) ✓

United Arab Emirates

“Clamping down on tax havens”

By Bodil Tingsby, Nordic Council of Ministers

One particular project has clawed back billions to the Nordic Region. Formally, it is referred to as Nordic co-operation on tax information exchange agreements with offshore financial centres. Less formally, it might be called “Clamping down on tax havens.”

Regardless of what it is called, this is a success story that has permanently redrawn the map of international fiscal policy. Thanks to the pioneering efforts and persistence of a project led by Torsten Fensby, the Nordic countries have one of the most complete networks of information agreements with every country in the world that has a policy of banking secrecy or other legislation that prevents fiscal transparency.

The world no longer offers a hiding place for those who want to evade their Nordic tax liabilities, apart from one nation – the United Arab Emirates – but negotiations with the authorities there are underway.

The billions now flowing back into the Nordic countries consist of undeclared and untaxed assets abroad. This is money that should have gone towards health and social services, education, research and other investments in development in the Nordic countries. In the 1970s and 1980s, globalisation led to a dramatic increase in tax avoidance, which had not been a major problem earlier in the 20th century. Personal and business capital was allowed to flow freely across national borders, and governments and tax authorities were powerless to intervene.

When an OECD campaign to end harmful tax competition came to a halt in the early 2000s, the Nordic countries launched a joint initiative to improve the exchange of information with the so-called ‘tax havens’. It was hoped that the OECD’s warnings of collective punishments would facilitate the conclusion of agreements with a few countries, followed by laborious efforts to include the other 40 or so, but the Nordic project has exceeded all expectations. The effect has been twofold: the withheld assets are easier to trace and the number of amendments made to income tax returns has increased. The timing turned out to be perfect. A few years after the project began, the G20 put the issue at the top of the international agenda, setting up the Global Forum in 2009. The Nordic countries are still among the few to have, in principle, a complete network of information agreements.

Nobody believes it would have been possible without the countries working together. Individually, each of them would have been too small to make an attractive negotiating partner. The Nordic Working Group on International Tax Evasion (NAIS) is now concentrating its efforts on implementing the agreements.

The individual tax authorities will, of course, decide how they wish to proceed, but they are exchanging information and ideas about ways to claw back as many of the long withheld billions as possible, as well as how to prevent future tax avoidance. Going forward, the focus will be on acquiring even more accurate tax information. The trend is toward automation and further streamlining exchanges of information. The preventative effect is best illustrated by the Norwegian Tax Administration, which has been the most successful so far, boosting the national tax take by around NOK 40 billion. Tax dodgers have nowhere left to hide.