



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Fiona Mactaggart MP
House of Commons
London
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27 APR 2016

Dear Fiona

Thank you for your email of 12 April to the Prime Minister on behalf of a number of your constituents, about Tax havens. Your letter has been passed to the Treasury and I am replying as Minister responsible for this policy area.

I firstly would like to highlight that the Prime Minister is hosting a leaders' summit on anti-corruption in May. The summit will seek to galvanize a global response to tackle corruption, as well as dealing with issues including corporate secrecy, government transparency, the enforcement of international anti-corruption laws, and the strengthening of international institutions. The summit will be an important opportunity for the Government to make the case for concrete action and a coordinated global response on tax transparency. More details on the summit are available online at: www.gov.uk/government/topical-events/anti-corruption-summit-london-2016

Specifically on company transparency, the UK firmly believes that public registers of company beneficial ownership should be the new international norm. Our own public register will go live in June 2016 and will be accessible online and free of charge. We have also been working with the Overseas Territories and Crown Dependencies, on their role on company transparency. At the December 2015 Joint Ministerial Council leaders of the UK's Overseas Territories agreed to hold beneficial ownership information via central registers or similarly effective systems. They further agreed to develop a timely, safe and secure information exchange process for law enforcement purposes.

This led to the Prime Minister's announcement to the House of Commons on 11 April that arrangements had been finalised with the UK on beneficial ownership that will enable UK law enforcement to see exactly who owns and controls companies incorporated in the Overseas Territories and the Crown Dependencies. This represents a significant step forward in our ability to counter criminal activity involving these offshore centres. The Prime Minister's full statement can be found online here: hansard.parliament.uk/commons/2016-04-11/debates/1604111000001/PanamaPapers

In line with the EU's Fourth Anti-Money Laundering Directive, the UK will implement a central register of trusts that generate a tax consequence in the UK by June 2017. This register will be accessible to competent authorities and the UK Financial Intelligence Unit.

Regarding taxation, the Government is committed to tackling global poverty and to a fair and transparent global tax system. Following the lead taken by the UK in its G8 Presidency, each of the UK's Crown Dependencies and Overseas Territories (CDOTs) with a recognised financial centre has committed to automatically exchange information with over 90 jurisdictions worldwide. These global agreements will provide a step change in the ability of countries to tackle tax evasion as participating countries will be automatically sending and receiving information about the offshore financial accounts of taxpayers.

The CDOTs have also joined the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, providing a legal gateway for the exchange of information with a large number of countries, including the developing countries that have joined the Convention. The UK continues to work to help developing countries to participate as soon as possible in the automatic exchange of information and, as you may know, the Government is currently piloting automatic exchange with Ghana.

The UK has been actively engaged in the G20-Organisation for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) project to align the taxation of profits with economic activity, and through this to provide tax authorities with effective tools to tackle aggressive tax planning and restore public confidence in the fairness of the international tax system.

The BEPS project represents an unprecedented effort on an international level to reform the global tax system. The project involved over 60 countries working together on an equal footing. The OECD's external engagement was substantially increased to ensure that developing countries were directly involved in shaping the outcomes of the BEPS project. Over a dozen developing countries participated directly in the decision-making body and technical working groups. Furthermore, tax officials from over 120 countries worldwide contributed to the BEPS project through 5 regional networks which met regularly. A dedicated work stream was set up to target the issues which developing countries identified as their highest priorities, including unnecessary tax incentives and tools to undertake BEPS-risks assessments.

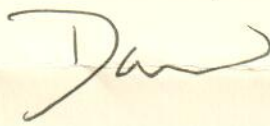
The BEPS outputs were released in October 2015, and the next phase is now focused on implementing the internationally agreed proposals. In this respect, the UK continues to uphold its commitment to ensure developing countries benefit from the changes we are making to the international tax system. The UK is chairing a group of over 90 countries who are working together in 2016 to develop the Multilateral Instrument, which will simultaneously update the global network of over 3000 bilateral treaties to implement some of the changes resulting from the BEPS project. The group includes OECD members, emerging economies and developing countries. The vice-chairs of the group are representatives from China, Morocco and the Philippines, highlighting the importance of the multilateral instrument to developing countries and their central involvement in its design.

The UK has also played a leading role in developing country-by-country (CbC) reporting and was the first country to formally commit to implementing the template developed under the G20-OECD BEPS project. The regulations will apply to accounting periods that begin on or after 1 January 2016. The OECD CbC reporting template is an important step forward in international efforts to increase tax transparency between multinational companies and tax authorities. It will help tax authorities, including those in developing countries, gather information on multinationals' global activities, profits and taxes, enabling them to better assess where risks lie and where their efforts to counter tax avoidance should be focused.

We believe there is an opportunity to go beyond the outcomes of the BEPS project and further enhance transparency. Earlier this year, the Chancellor urged his European and international counterparts in the EU and G20 to push for details of the tax paid by companies to be made publically available on a country-by-country basis. We welcome the European Commission's proposals for public CbC reporting as a step in the right direction toward new international rules for greater public transparency.

Please pass on my thanks to your constituents for taking the trouble to make us aware of these concerns.

Yours

A handwritten signature in black ink, appearing to read "David", with a stylized flourish at the end.

DAVID GAUKE

