

**Press Information Bureau
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Ministry of Finance**

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Text of the Intervention Made by the Minister of State of Finance in the G20 Finance Minister's Meeting on International Tax; Calls for Implementation of the New Global Standards on Automatic Exchange of Information with A Common Timeline and with Coverage of as Many Countries as Possible

Following is the text of the intervention made by Smt. Nirmala Sitharaman, Minister of State for Finance at the G-20 Finance Ministers' Meeting on International Tax in Cairns, Australia yesterday:

“Dear Colleagues

The leadership and guidance provided by G20 since 2009 has led to significant improvements in exchange of information on “request basis”. However, its scope is somewhat limited because the information can be provided by the treaty partners only when there is already some information in possession of the requesting country and the investigation has already commenced.

We, therefore, support the new global standard on automatic exchange of information, which would enable the tax authorities, of both developed and developing countries, to receive information about taxpayers hiding their money in offshore financial centres and tax havens through multilayered entities with non-transparent ownership, on an automatic basis. This would be the key to prevent international tax evasion and avoidance and would be instrumental in getting information about unaccounted money stashed abroad and ultimately bringing it back. One of the first steps taken by the new Government headed by Prime Minister Shri Narendra Modi is constitution of a Special Investigation Team (SIT) to examine all the issues in this regard and thus this is a cause which is very dear to us.

We believe that as far as possible, the new global standards on automatic exchange of information should be implemented with a common timeline with coverage of as many countries as possible. In addition to providing a critical mass to the success of the new standard, this would also be cost effective for financial institutions. 46 countries, including India, have agreed for a common timeline to exchange information automatically from 2017 and we call upon everybody to join us.

The exchange of information on automatic basis under the new global standard is to be on a fully reciprocal basis, as should be the arrangement between sovereign countries. We therefore call upon countries to make necessary legislative changes in their domestic laws so as to enable them to provide the same level of information to other countries as they would be receiving from those countries.

The new global standards on automatic exchange of information also present a unique opportunity to the developing countries to modernize their tax systems with better networking and revamp the fragmented reporting requirements from financial institutions. Accordingly, implementation of the standards by developing countries may also improve domestic tax compliance, as substantial amount of data received from Financial Institutions by the tax administration may be used for domestic tax purposes also.

However, for many developing countries, assistance, both financial and technical, may be necessary for implementing the global standards on automatic exchange of information. We, therefore, support the pilot on automatic exchange of information proposed by Global Forum to support and assist the developing countries in implementing the new global standards.

I also take this opportunity to welcome the first set of seven deliverables under the Base Erosion and Profit Shifting (BEPS) Project that have been presented to us. BEPS has been a cause of concern for developing and emerging economies for long as it erodes their tax base depriving them of much needed resources for developmental activities. It is also unfair to the general taxpaying public and further provides an unfair competitive advantage to Multinational Enterprises (MNEs) vis-à-vis domestic companies having no opportunities for adopting BEPS strategies.

While we support the BEPS Project, it is necessary to underline that the concerns of developing countries regarding BEPS may be different from those of developed countries. These concerns are required to be taken on board in a more consultative manner, while developing consensus on the various issues.

One of the major concerns from the point of view of developing countries is regarding the approach adopted for making dispute resolution mechanisms more effective which includes introduction of mandatory and binding arbitration in the Mutual Agreement Procedure of the Tax Treaties. This not only impinges on the sovereign rights of developing countries in taxation, but will also limit the ability of the developing countries to apply their domestic laws for taxing non-residents and foreign companies.”

DSM/KA