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For immediate release

BVI TO SIT ON NEW OECD ACCOUNTS GROUP

BVI will not be on OECD “harmful tax practices” blacklist, insists on level playing field, praises ITIO

The Organisation for Economic Cooperation and Development (OECD) has invited the British Virgin Islands (BVI) to participate in a new grouping to develop international standards for the filing and auditing of accounts.

This group will develop filing and/or auditing rules for companies, partnerships, trusts and other legal entities in the OECD and non-OECD member countries.

The invitation forms part of an agreement reached between the BVI and the OECD over the OECD’s “harmful tax competition” initiative. The OECD has accepted that the BVI should not figure on any OECD list of “unco-operative tax havens” nor be subject to coordinated defensive measures by OECD countries.

For its part, in line with its long-standing commitment to ensuring compliance with international standards and fostering co-operation, the BVI has made an official commitment to the principles of transparency and effective exchange of information in tax matters.

In negotiations, the BVI stated the need for a level playing field between OECD and non-OECD countries did not just mean hitting a common deadline but meant all countries making changes at the same time prior to the deadline.

The BVI has also paid tribute to the value it gained from membership of the International Tax and Investment Organisation in responding to the OECD initiative.

Speaking yesterday, BVI Chief Minister Ralph O’Neal stated that the agreement reached with the OECD was “based on the principles of a level playing field and mutual respect” and was “tailor-made to suit the BVI industry.” It was “realistic” and “should serve the BVI well in the future.”

The Chief Minister drew attention to the OECD’s acceptance of “the BVI’s long-held view that blanket filing and auditing requirements for all companies is not appropriate. Our negotiators went to great length to point out that such requirements are not relevant to all legal entities, in particular passive investment companies.”

The BVI was pleased to be involved in the OECD’s new Ad Hoc Group on Accounts, said Mr O’Neal: “This is an issue of considerable importance to our local private sector and I have every confidence that they will be happy that we will be at the table where these critical international accounting standards-setting issues are being discussed and finalised.”

The Chief Minister added that a level playing field with OECD member countries was essential. “If the BVI or other non-OECD jurisdictions are required to make changes earlier than Luxembourg or Switzerland, there is a danger that business will just migrate from us to OECD ones. We cannot believe this is the OECD’s intention.

Mr O’Neal said it was not enough just to aim for the same deadline: “The concept of a level playing field must mean all countries making changes at the same time – not us now and recalcitrant OECD states a few months later. Anything less will be grossly unfair and could jeopardise future co-operation.”

The BVI Chief Minister also paid tribute to “the value the BVI has gained in reaching this agreement from its membership of the International Tax & Investment Organisation (ITIO), a grouping of some thirteen like-minded countries, which we were proud to help found last March.”

“By sharing views, intelligence and analysis with ITIO colleagues and other targeted countries from around the world and by working with them on common positions, the BVI’s ability to respond effectively to the many challenges facing us has been considerably enhanced,” Mr O’Neal claimed.

NOTES TO EDITORS

1. The BVI’s agreement with the OECD can be viewed at <http://www.oecd.org/pdf/M00027000/M00027974.pdf>.
2. BVI Chief Minister Ralph O’Neal’s full statement is below.
3. In its agreement with the OECD, the BVI states that an effective exchange of information regime should be founded on the internationally accepted principles of reciprocity which normally apply in bilateral and multilateral agreements.
4. The agreement is based on the OECD’s assurance the BVI that will be invited to participate “fully and on an equal basis” in the OECD’s Global Forum “or any similar grouping or meeting” designing international standards for transparency and effective exchange of information
5. The BVI will also be invited to participate in a joint Ad Hoc Group on Accounts, consisting of OECD member countries and jurisdictions that made commitments to the OECD’s “harmful tax” project. The group will address issues raised by the accounts and audit or filing requirements of the commitments.
6. Four OECD member countries – Switzerland, Luxembourg, Belgium and Portugal – are still refusing to sign up to the OECD’s “harmful tax competition” project. The BVI is concerned that if these countries are not required to adhere to the same standards of transparency and exchange of information *within the same timeframe*, they could end up gaining business at the expenses of small countries like the BVI.
7. The International Tax and Investment Organisation (ITIO) is a grouping of thirteen small and developing economies (SDEs) set up in March 2001 to help SDEs respond to global tax and investment challenges. It currently comprises Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Cook Islands, Malaysia, St Kitts & Nevis, St Lucia, Turks & Caicos and Vanuatu. The Commonwealth Secretariat, Pacific Islands Forum Secretariat, Caribbean Development Bank and CARICOM Secretariat have observer status. See www.itio.org.

**STATEMENT BY HON RALPH T. O'NEAL, CHIEF MINISTER AND
MINISTER OF FINANCE, ECONOMICS AND DEVELOPMENT
PLANNING OF THE BRITISH VIRGIN ISLANDS,**

**ON THE AGREEMENT REACHED WITH THE ORGANISATION FOR
COOPERATION AND DEVELOPMENT ON ITS "HARMFUL TAX
COMPETITION INITIATIVE"**

2 April 2002

A month ago, I made a statement about the British Virgin Islands' response to the "harmful tax competition initiative" of the Organisation for Economic Cooperation and Development (OECD).

At that time, I explained that the Government of the BVI had submitted a draft commitment letter to the OECD. Since then, we and the OECD have been in close discussion, with a view to reaching a mutually acceptable agreement. The OECD gave us a written assurance that the BVI would not in the meantime be put on any list of unco-operative jurisdictions.

I am pleased to be able to tell you today that we have reached such an agreement and that the OECD has confirmed the BVI will not be on its blacklist.

Throughout our protracted, and arduous discussions with the OECD, the BVI's strategic objective has been, as always, to keep BVI off any negative list without capitulating on issues fundamental to the international competitiveness of our financial services industry and to the well-being of the BVI and its people.

We have been keen not to rush the process but to ensure that all legitimate concerns – in particular those of the BVI's private sector – were fully taken on board and factored into the agreed commitment letter.

As a result we now have a realistic agreement that should serve the BVI well in the future. Our commitment is based on the principle of "even keel" (meaning a level playing field and mutual respect) and is tailor-made to suit the BVI industry.

[BVI in new group setting filing and auditing standards]

In particular, I wish to draw attention to the OECD's acceptance of the BVI's long-held view that blanket filing and auditing requirements for all companies is not appropriate. Our negotiators went to great length to point out that such requirements are not relevant to all legal entities, in particular passive investment companies.

As a result, the OECD will be setting up a special ad hoc group on accounts to address issues raised concerning filing and/or auditing of accounts, and the BVI will be involved in this standard-setting exercise. This is an issue of considerable importance to our local private sector and I have every confidence that they will be happy that we will be at the table where these critical international accounting standards setting issues are being discussed and finalised.

[Progress depends on level playing field]

The agreement also sets out my Government's belief that matters can only be taken forward successfully if a level playing field with OECD countries and others is in place. The Government of the BVI does not consider it reasonable that we or any other non-OECD jurisdiction should be expected to amend our systems ahead of OECD member states, or of our other competitors.

The OECD Secretariat has assured us of its intention to see Switzerland, Luxembourg, Belgium and Portugal – all OECD members who have so far abstained from the tax project – make changes to their systems by the same deadline as ourselves.

But arriving at the same destination at the same time is not the real issue. What concerns us is what happens along the way.

As we all move towards a common deadline, if the BVI or other non-OECD jurisdictions are required to make changes earlier than Luxembourg or Switzerland, there is a danger that business will just migrate from us to OECD ones. We cannot believe this is the OECD's intention.

The concept of a level playing field must mean all countries making changes at the same time: not us now and recalcitrant OECD states a few months later. Anything less will be grossly unfair and could jeopardise future co-operation.

[ITIO membership helped BVI respond effectively]

Finally, I would like to mention the value the BVI has gained in reaching this agreement from its membership of the International Tax & Investment Organisation (ITIO), a grouping of some thirteen like-minded countries, which we were proud to help found last March.

By sharing views, intelligence and analysis with ITIO colleagues and other targeted countries from around the world and by working with them on common positions, the BVI's ability to respond effectively to the many challenges facing us has been considerably enhanced.

I understand that this agreement is to be posted on the OECD's website (www.oecd.org) and I would commend it to your attention.

Entering into this commitment is not an end to our engagement with the OECD on these critical issues. Rather, it is the beginning of a period of constructive engagement and continued dialogue on matters of critical importance to our economic viability. The BVI Government remains resolved to do whatever is necessary to ensure the international competitiveness and economic viability of these islands.