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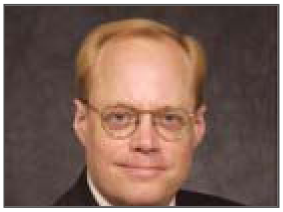

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G-8 Nations Take On Tax Evasion, Tax Havens And More

The G-8 nations agree: tax evasion is bad and hurts everyone. More inter-nation cooperation is needed. But exactly what is legitimate and what isn't aren't so clear.

These days it seems like ***everyone*** is jumping on the anti-tax evasion bandwagon. Words like "transparency" and "full disclosure" get thrown around a lot. "Level playing field" is another overused metaphor.

But it would be a mistake to dismiss these as mere buzz words. Regardless of whether you like these terms, they are fast becoming the norm everywhere. And in the current economic and political climate, it seems unlikely that the fashion will change anytime soon.

Given that UBS and other Swiss banks had their vaunted bank secrecy gutted by the IRS, anything seems possible. And FATCA has a global reach with what some are calling a new American Imperialism. All in all, the world is smaller and more transparent than ever before. And it may get smaller still.

In the current milieu, the UK may be feeling some parental misgivings. After all, it spawned some of the most notorious tax havens. Many of its self-governing regions turned out to be enablers. Perhaps Britain now feels a sense of obligation to make the largely island nations join the tax haven attack.

That's one conclusion to draw from the UK Prime Minister David Cameron asking 10 territories and self-governing regions to join hands. Just execute the Multilateral Convention on Mutual Assistance in Tax Matters, Mr. Cameron urged. It's a creature of the OECD, the Organization for Economic Cooperation and Development. The treaty has been signed by more than 50 countries.

One of its key features—you guessed it—is information sharing. That means these countries will all share information on individuals who hold bank accounts in their jurisdictions. The 10 include Bermuda, British Virgin Island, Cayman Islands, Gibraltar, Anguilla, Montserrat, Turks and Caicos, Jersey, Guernsey and the Isle of Man. Mr. Cameron's announcement of the 10 crown dependencies and territories tied nicely with the G-8 Summit days later.

There, the focus was more on the global profit shifting of major corporations such as Google and Apple. See Apple: Think Different. Tax Different. Of course, determining beneficial ownership isn't likely to make the lines between evasion (bad) and avoidance (mostly OK) any more clear. Most legal systems allow people to conduct their affairs to legally minimize taxes.

Yet sometimes even experienced tax professionals have trouble discerning the line between legitimate tax planning and prohibited tax evasion. That's why transparency seems so important. Where the only argument you have for a particular tax treatment is that no one knows about it, that's hardly a ringing endorsement.

More and more countries are recognizing that they need to cooperate to break down complicated offshore tax structures, tackle corruption and help developing countries collect revenues. There is an increasingly universal recognition that if one country is unable to enforce its own tax and disclosure rules, a degree of reciprocity among nations helps all of the countries. How much sharing there will be isn't yet clear.

However, the G-8 leaders at least achieved this broad summit declaration: "Countries should change rules that let companies shift their profits across borders to avoid taxes, and multinationals should report to tax authorities what tax they pay and where."

How much does global tax evasion cost? No one is entirely sure, but estimates run to more than $3 trillion a year. So says the Tax Justice Network. An even bigger figure is thought to be the size of individual pots of money stashed away by individual deposit holders in tax havens. It could be more than $30 trillion dollars.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.