



**Swiss Coalition of
Development Organizations**
Swissaid • Catholic Lenten Fund
Bread for all • Helvetas
Caritas • Interchurch Aid

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Press Conference

Against the aiding and abetting of tax evasion – and in favour of tax justice worldwide

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Harmful tax haven Switzerland: Demands of development organizations to Swiss political leaders

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Were Switzerland to extend the taxation of savings income agreement with the EU to developing countries, the latter would receive more funds than Switzerland is currently providing as development aid.

Even though Switzerland will soon be definitively concluding the taxation of savings income agreement with the EU, that will not signal the end of the long-term discussion about banking secrecy and Switzerland as a tax haven. Switzerland will have to yield to the pressure from third countries. It would be well advised to face up to these challenges in good time. The Switzerland cannot continue to offer protection to tax evaders from all over the world.

Of greatest significance to the Swiss Coalition of Development Organizations and the Berne Declaration are the negative impacts on developing countries of unfair tax practices, international tax competition and tax avoidance. They are leading to revenue losses in these countries worth billions. We therefore demand that in the short term, Switzerland accords these countries the same concessions being granted to the EU under the taxation of savings income agreement. Just like the EU countries, developing countries should share in the proceeds from a paying agent tax on interest payments. Extending to other countries the agreement with the EU on the taxation of savings income would be consistent with the most-favoured-nation principle that is usual in trade policy.

That would have eminently positive implications for developing countries, as borne out by the following example in figures, which is limited to trust funds. According to National Bank statistics, there were 170 billion francs in trust funds from developing countries (including the Caribbean, though not European offshore centres) in Swiss accounts in 2001. An average interest of 4% would yield 6.8 billion francs. A paying agent tax of 35% on the full amount of this yield would raise 2.3 billion. If

three-fourths of this were returned to the countries of origin, that would be 1,785 million francs. By way of comparison, Switzerland's development aid was 1,627.8 million francs in 2001.

Besides we demand that Switzerland reviews its present double taxation agreements with developing countries and, as in the case of double taxation agreements with EU Member States, that it accords assistance to developing countries too in cases of tax fraud, on the basis of reciprocity.

In the medium term, Switzerland will not be able to avoid eliminating its distinction – unique worldwide – between *tax fraud* and *simple tax evasion*. We welcome this. In foreign relations, simple tax evasion must be subject to legal and official assistance, if necessary even by amending of the relevant laws. This would finally put an end to the unacceptable unequal treatment of Swiss nationals and foreigners. Today, tax evaders domiciled in Switzerland, when caught, are subject to stiff administrative penalties. In contrast, tax evaders domiciled abroad are deliberately let off scot-free. Contrary to the propaganda of the banks, the removal of the distinction between tax fraud and simple tax evasion would not mean eliminating bank customer confidentiality, but rather getting rid of government encouragement of tax evasion by foreigners.

In the long run, the trend will prevail internationally towards the automatic sharing of information by banks and tax authorities, similar to the now customary practice with salary statements for wage income.

Furthermore, we demand that in the OECD, Switzerland should give up its passive resistance to programme for the elimination of harmful tax practices. The OECD has identified 47 potentially harmful tax practices, two of which concern Switzerland. The OECD suspects that the so-called Administrative Companies are serving as vehicles for tax evasion. These are companies limited by shares, cooperatives and foundations and maintain only administrative but no business activities in Switzerland. Second, the OECD regards Service Companies as potentially harmful. These are enterprises in a group of companies that perform services for other enterprises in the same group. To date, the Federal Council has not taken a public position regarding these suppositions.

Finally we demand that the offshore activities of Swiss enterprises are better accounted for in the statistics and better monitored and regulated by the appropriate means. The postulate "Know your customer" must be extended to become the principle „Know the owners of companies registered in tax havens". Offshore subsidiaries must be more closely monitored and abuses should incur stiff penalties.

Surveys show that most Swiss citizens are against the aiding and abetting of international tax evasion. We call upon the authorities to live up to the postulate of a coherent development policy in the realm of taxation as well.

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