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# **AABA Essex Workshop**

## **7/8 July 2005**

**Session 1: Havens Under Pressure**  
**Perspective from Switzerland:**  
**Face-Saving Compromise**

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# Harmful tax practices

- **Low or no or taxation**
- **Distinction between domestic and non-residents**
- **Lack of transparency**
- **No or poor information exchange**



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# **OECD's Project on Harmful Tax Practices**

## **1998 Report: Harmful Tax Competition. An Emerging Global Issue**

- **Criteria for determining harmful tax practices**
- **Recommends measures to combat them**



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# Progress Reports

**2000: Identified 35 tax havens  
and 47 potentially harmful  
preferential regimes**

**2001: Update and enhancement**

**2002: List of uncooperative tax  
havens**

**2004: Eliminating harmful  
preferential regimes**



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# Switzerland's position

**1998: Switzerland withheld approval (together with Luxemburg), continued to be observer of Forum on HTTP**



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# Switzerland's Critic

- **No comprehensive report**
- **Covers only „mobile financial activities, but not tax incentives, subsidies etc.**
- **Too much emphasis on international mutual administrative and legal assistance**



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## **OECD Critics**

- **Very low tax rates granted by Swiss Cantons to administrative and service companies**
- **Holding privileges**
- **Restrictive practice of the exchange of information between tax authorities**



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# Switzerland under pressure

- **2003: Threat to be the only OECD member country remaining on the „black list“**
- **Heavy bilateral negotiations**
- **July 2004: Face-saving compromise**



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# Compromise

- **Lift modestly restrictions in administrative information exchange about holding and service companies**
- **Case by case on bilateral level**
- **OECD guidelines for transfer pricing must be abided**
- **No modification of cantonal laws**
- **No deal on banking confidentiality**
- **No threat to black list**