

## **OECD: Harmful Tax Competition and Effective Exchange of Information**

In 1998 the OECD launched its Project on Harmful Tax Competition. This project also focused on low tax jurisdictions (OECD Report: Harmful Tax Competition, An Emerging Global Issue, 1998). On the basis of the criteria set-out in this report, 35 jurisdictions were blacklisted in the OECD's Progress Report of early 2000. Aruba was included in the blacklist, although it never had a significant low tax offshore sector or financial services sector.

In the course of 2000 and in the spring of 2001 Aruba negotiated with the OECD, which resulted in the signing of an OECD commitment by Aruba on 31 May 2001 (the commitment can be found on the website of the OECD: [www.oecd.org](http://www.oecd.org)). Aruba committed itself to amend its legislation and to remove elements of its tax legislation and tax practice that were deemed to be harmful. Also, Aruba committed to become party to a Tax Information Exchange Agreement (TIEA) with any OECD member country that wants to have such a TIEA with Aruba. Due to this commitment, Aruba was removed from the OECD's blacklist. Since that date, from an OECD perspective, Aruba is considered to be a 'Participating Partner' of the OECD (ref. the 2004 OECD Progress Report, page 11, footnote 10).

### *OECD Tax Information Exchange Agreements*

In 2001 the focus of the OECD project changed completely into the effective exchange of information. In 2004, Aruba enacted a General Tax Act that allows the Tax Authorities of Aruba to obtain information about tax payers from third parties (e.g. banking information) and to exchange tax information with other countries. The introduction of this legislation made it possible for Aruba to meet its obligations to provide tax information with foreign tax authorities under future TIEA's. On 21 November 2003 Aruba concluded a TIEA with the US that became effective as from 13 September 2004.

### *No level playing field*

The final implementation of the OECD commitment is an ongoing process. Most elements of the commitment have been implemented. Other elements are waiting until a level playing field with the OECD members has been established. The Caribbean states share the feeling that it is still a long way for the OECD to go until a level playing field has been established.