



The Treasury

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NEWS RELEASE

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ISLE OF MAN TREASURY MINISTER ANNOUNCES MAJOR TAX POLICY MOVE AT OECD FORUM IN PARIS

The announcement of a move to automatic exchange of information under the EU Savings Directive keeps the Isle of Man at the forefront of tax co-operation

The Isle of Man Treasury Minister, Allan Bell, MHK, will speak today (24 June 2009) at the prestigious international 10th Organisation for Economic Co-operation and Development (OECD) Forum in Paris, "The Crisis and Beyond". Mr Bell has also attended a private dinner on the evening of Monday 22 June 2009 hosted by the OECD Secretary-General, Angel Gurría.

Speaking at the same conference session as Minister Bell, which is titled "Promoting Market Integrity" is a group of major global figures:

- Cobus de Swardt, Managing Director, Transparency International;
- Luc Frieden, Minister of Treasury and Budget, Luxembourg;
- Jean-Daniel Gerber, State Secretary for Economic Affairs, Federal Department of Economic Affairs, Switzerland;
- Jeffrey Owens, Director, Centre for Tax Policy and Administration, OECD;
- Guy Ryder, General Secretary, International Trade Union Confederation; and
- Stephen Timms, Financial Secretary, The Treasury, United Kingdom.

Minister Bell will take the opportunity in his comments to thank Secretary-General Gurría for inviting him to speak at the forum, and to signal the importance that the Isle of Man saw in being recognised by the major world economies in this way.

Minister Bell will put forcefully his view that small countries have a lot to gain by engaging with their larger neighbours and with international organisations such as the OECD, but also that they have a lot to contribute to the ongoing development of standards. The Isle of Man, like other small countries, faces many challenges through engaging internationally in this way – not least in terms of resources – but is proud of the enormous strides that it has taken and of its achievements.

In addition to sharing his views on promoting market integrity, Minister Bell will announce a key new tax policy on behalf of the Isle of Man Government. From 1 July 2011, the Isle of Man, in its application of the European Union Savings Directive (EUSD), will move fully to automatic exchange of information. This means that the withholding tax option currently available to customers having accounts with Isle of Man banks by virtue of the transitional arrangements in the EUSD will be withdrawn.

Minister Bell said, “The Isle of Man has led the way for a number of years now in how small countries with financial services centres should operate in the globalised economy. We have consistently shown that we understand at a strategic level what actions we need to take and what changes we need to make in order to maintain our position as a centre of choice for high-quality business and investment.”

“My announcement today is further evidence that the Isle of Man is prepared to align its policies with international benchmark standards, which signals to our trading partners and investors alike that we can be relied upon and that our name is associated with probity and foresight.”

Notes

MINISTER BELL'S INTRODUCTORY REMARKS

OECD FORUM 2009

PROMOTING MARKET INTEGRITY

24 JUNE 2009

INTRODUCTORY REMARKS OF ALLAN BELL, MHK

TREASURY MINISTER OF THE ISLE OF MAN

Mr Chairman, Ladies and Gentlemen, I would like to begin by expressing my appreciation to the OECD, particularly Secretary-General Gurría and Mr Owens, for inviting me to participate in this year's forum. It is an honour to represent the Isle of Man at this major international conference.

We are here this morning to share our insights on how best to promote market integrity, at a time when significant aspects of that integrity appear either to be damaged or to have failed. I will start by making some general observations.

The global economic environment is ever-changing, and there is a need for countries, businesses and people to monitor the changes and determine how best to react to them. Small countries like the Isle of Man, and larger developing economy countries, have in the past had limited access to, or involvement with, international organisations and the major economies, and as a consequence have had to come to terms with change and learn how to respond to it almost autonomously.

Having to 'go it alone' can be challenging, both in terms of bringing together the right levels of resources and skills, and in terms of the legislative, fiscal, regulatory and economic developments which may be needed. Different countries deal with these challenges in different ways. One obvious approach is to look elsewhere for benchmark models and then to adapt them as necessary to local circumstances. It can be a mistake to select the wrong benchmarks. Similarly, it can be a mistake even when perfectly appropriate benchmarks have been selected at one time, to fail to update them to meet current standards.

The evolution of international standards across a wide range of market integrity areas, such as anti-money laundering and countering the financing of terrorism regulation or international tax co-operation, has been a consistent theme throughout the last decade and has self-evidently been given a major new impetus by the global financial crisis and economic recession.

Throughout this period, the Isle of Man, while being a small country with limited administrative resources at its disposal, has consistently maintained an approach based on constructive engagement and pragmatism. I see my presence here today, as

recognition of that consistent, long-term approach, and as an opportunity to demonstrate our constructiveness and pragmatism.

If we consider the OECD's international tax co-operation standards, the Isle of Man gave a commitment to them in 2000. That meant of course that we were in the same position as many countries in needing to reassess a number of our national policies and aspects of our tax code. Our commitment gave us access to the OECD Global Forum on taxation; a 'seat at the table' if you will, and thus the ability both to listen to the views of many other countries and to add our own unique voice to the debate.

Through our dedicated engagement with and our contributions to the Global Forum's working sub-groups, and through our bilateral negotiations with OECD member countries, the Isle of Man has provided leadership and, in many ways, a role model. It is our intention to continue to do so.

I see the development of standards as best managed via the widest possible range of contributions which leads consequently to a solid, consensual agreement. Consensual agreements on standards can then lead to groupings or organisations based on the standards, on peer reviews and audits and to a better ability to bring into the fold those countries that do not yet meet the standards. That consensus ought rightly to include small and developing countries, which have views and contributions to make that are as valid as any other; even those of the most powerful nations on earth.

The Isle of Man is proud that it has made a number of key contributions to the development of our current benchmark international tax co-operation standards, and I expect that we will continue to play our part into the future.

Whilst the Isle of Man's recognition on the second of April this year as a jurisdiction which has substantially implemented the internationally agreed tax standard in terms of exchange of information and transparency was welcome, we do not see that as an end in itself; it is merely a stage in an ongoing process. We will complete further tax co-operation agreements and we will continue to advocate the position of small countries during the development of international standards.

Based on our own experience, the Isle of Man can also assist other countries by providing direct assistance to help them build their administrative capabilities. The Isle of Man became last year the first Associate Member of the Small States Network for Economic Development, sponsored by the World Bank, and we will co-fund an education programme run by Oxford University's Saïd Business School for officials from small states which will enable them to improve their ability to manage their financial sectors and engage more effectively with the global financial system.

Trust and confidence are built by a combination of words and actions; a statement that is as valid for a country as it is for a person. The Isle of Man has a demonstrable track record of words and actions showing that it can be trusted to deliver what it commits to. By constructive engagement, negotiating further tax co-operation agreements, good governance and independent evidence of the quality of its regulation, the Isle of Man will maintain and increase the trust that the international community has in its probity and ability to play a productive part in the global economy.

Jeffrey Owens wrote an article as long ago as December 2006 in which he foresaw a potential for some low-tax countries as 'service centres'; so long as they operate to the

best international standards. I believe that there is nothing intrinsic that one can criticise about a country's tax rates. It is clear, however, that a combination of a number of features of a country's regulatory and tax systems may cause market integrity issues and be considered harmful by other countries. The Isle of Man has achieved parity in its regulatory and tax standards with the leaders of the global economy, and we feel that we have a part to play in that global economy - as a responsible financial services centre that can be trusted by its partners.

I have said that the Isle of Man is constructive, pragmatic and that we are a responsible player in the global financial market. Today, I want to take the opportunity given by this forum to announce a new policy that will serve to emphasise all that I have said about the Isle of Man.

There has been much debate about the merits of the transitional arrangements under the European Union Savings Directive, which allow customers of banks in certain countries, including the Isle of Man, to opt either for automatic exchange of their bank interest information with their country of residence or for the payment of a withholding tax deducted at source from their interest. I should make it clear that these arrangements are perfectly acceptable and were agreed when the Directive itself was finalised by the European Union. However, some observers, and many European Union member countries, consider the withholding tax option to be some form of cover for banking secrecy: and clearly banking secrecy should have no place in a world characterised by internationally agreed tax standards.

The Isle of Man does not, and did not, have any form of banking secrecy law or practice, but our government thinks that it is now important to signal for the avoidance of any doubt that this is the case. Accordingly, on the date that the Savings Directive withholding tax rate is next scheduled to rise – the first of July 2011 – the Isle of Man will move to automatic exchange of information only, and thus to remove the withholding tax option.

Thank you again, Mr Chairman for allowing me to make these introductory remarks.

THE ISLE OF MAN

The Isle of Man (population 80,000) is in the middle of the Irish Sea at the centre of the British Isles. It is a self-governing British Crown Dependency with its own parliament, government and laws.

The Isle of Man is not part of the European Union, and not part of the United Kingdom. However, the British Queen is its head of state and the United Kingdom Government is ultimately responsible for its international relations.

The Isle of Man has had one of the fastest growing economies in Europe in recent years, led by its international financial services sector.

A number of external bodies, including the International Monetary Fund, have confirmed that the Island's defences against money laundering comply with the highest global standards, and that it co-operates fully in combating international financial crime.

The Isle of Man was one of the first international financial services centres to make a commitment, in 2000, to work with the OECD in the tax co-operation field. On 2 April 2009, the Isle of Man was assessed by the OECD as one of the "jurisdictions that have substantially implemented the internationally agreed tax standard."

Recent growth areas of the Isle of Man economy include e-commerce, the film industry, international shipping, and space and satellite business, while traditional sectors like tourism (and the famous TT motorcycle races), manufacturing and agriculture are still important.

Growth in the economy has been matched by investment in public services, funded by direct and indirect taxation. The Island is self-financing.
