

OECD Announces Plan for Tax Evasion Reduction

by Joseph M. Donegan on August 2, 2013

Tax law violations are typically a crime that most people hear about in domestic news, but tax evasion and fraud appear to be an increasingly global phenomenon. As more individuals take advantage of favorable regulations and tax benefits in offshore accounts and foreign financial institutions, the ability to commit tax evasion has become more accessible. In response, countries are now joining forces for a global tax evasion reduction, and the Organization for Economic Co-operation and Development (OECD) recently announced initiatives to play its part in this goal.

The global agency noted that by devising a new, simplified, yet comprehensive, strategy that governs the ways in which countries share information about individuals, businesses, and trusts, they can better monitor financial transactions and detect potential violations.

The OECD suggested that by moving to a standard way of sharing information, rather than relying on fragmented agreements, countries would be in a better position to stay on top of these transactions, according to Reuters. In addition, the agency said that a standardized method would be more efficient in detecting violations as opposed to the current method of launching an investigation and requesting account data from another country.

The United States currently faces a tax gap of roughly \$385 billion each year, while the European Union said that it has lost hundreds of billions in unaccounted taxes due to evasion. While some believe that these coordinated methods will help close these tax gaps, others argue that there is little legal authority behind the well-meaning international efforts. A separate article that appeared in Reuters noted that the agreements discussed would be largely diplomatic, but lack the legal backbone and authority needed to carry out such as large-scale initiative.

The OECD plans to unveil its new draft agreement in 2013, which will detail the types of information that can be exchanged and proposals for common legal and technological standards, Reuters reports.