

PRESS STATEMENT BY THE MINISTER OF FINANCIAL SERVICES

THE BAHAMAS MAKES PROGRESS IN THE IMPLEMENTATION OF THE COMMON REPORTING STANDARD

21st December, 2016 – Nassau, N.P., The Bahamas – December, 2016 marks a significant month for the Financial Services Industry in The Bahamas. The much anticipated Bill to provide for the implementation of the Common Standard on Reporting and due diligence for financial Account Information in Tax matters and for connected purposes was passed unanimously in both Houses of Parliament.

The Legislation

The passage of this legislation evidences The Bahamas' commitment to implement the OECD's Common Reporting Standard (CRS) for the Automatic Exchange of Financial Information in 2018. The Bill sets out the requisite legal framework to begin the process for the automatic exchange which is mandated to take place on an annual basis.

In addition to giving effect to the CRS, the Bill seeks:

- a) *to confer the necessary powers on the Competent Authority to enter into Agreements with the*

government of another country for the automatic exchange of financial account information in tax matters;

- b) to ensure the proper administration and enforcement of the Bill; and
- c) to ensure the performance of The Bahamas' obligations in an Agreement made under the Bill.

The obligation involves the exchange of information automatically rather than by request between countries who are members of the Global Forum. There are 137 countries who are members of the global forum, most of whom have elected to sign The Multilateral Convention on Mutual Administrative Assistance in Tax Matters and will share tax information automatically with each other. The Bahamas has elected the bilateral approach for implementation and will enter into agreements with countries on a country by country basis. Both the multilateral and bilateral approaches adhere to the international standards for tax cooperation and tax transparency. The criteria for the selection of the bilateral approach as opposed to the multilateral approach, is based on the fact that the OECD Multilateral Convention is more applicable to jurisdictions with a direct taxation regime, which The Bahamas does not have and there are provisions which are inconsistent with current domestic laws. The decision to implement the CRS by way of bilateral agreements was made after thorough consultations.

Regardless of the method of implementation, the Common Reporting standard applies to all countries:

The Standard consists of the following four key parts:

- A model Competent Authority Agreement (CAA), providing the international legal framework for the automatic exchange of CRS information;
- The Common Reporting Standard;
- The Commentaries on the CAA and the CRS; and
- The CRS XML Schema User Guide to aid users

Bi-lateral Agreements

In addition to the passage of this legislation in Parliament, proactive steps have already been taken to identify the countries that The Bahamas intends to negotiate with to enter into bilateral agreements for the automatic exchange of information. An initial group of countries has been prioritized following consultation between The Ministry of Finance as the Competent Authority, The Office of the Attorney General, The Ministry of Financial Services, The Bahamas Financial Services Board and industry stakeholders. EU countries and those countries with whom The Bahamas has existing Tax information Agreements (TIEAS) are among this initial grouping. Letters of invitation have therefore been dispatched to the initial group of forty five countries.

This however, is not an exhaustive list and further invitations will be issued. Additionally, The Bahamas, in accordance with OECD requirements will, in good faith, actively engage all countries from which invitations to negotiate are received.

The Ministry of Financial Services as coordinating Ministry will continue to keep the Bahamian public and all relevant stakeholders advised as we progress with the implementation of CRS. Moreover, The Bahamas will continue to strive towards meeting international standards of tax cooperation and transparency to preserve The Bahamas' reputation as a compliant financial services jurisdiction and a financial centre of excellence.

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