

Draft Order in Council laid before the House of Commons under section 173(7) of the Finance Act 2006, for approval by resolution of that House.

DRAFT STATUTORY INSTRUMENTS

2011 No.

TAXES

**The International Mutual Administrative
Assistance in Tax Matters Order 2011**

Made - - - - *[date] [Month] 2011*

At the Court at Buckingham Palace, the [date] day of [Month] 2011

Present,

The Queen's Most Excellent Majesty in Council

A draft of this Order was laid before the House of Commons in accordance with section 173(7) of the Finance Act 2006(1) and approved by a resolution of that House.

Accordingly, Her Majesty, in exercise of the power conferred upon Her by sections 173(1) to (3) of the Finance Act 2006, by and with the advice of Her Privy Council, orders as follows—

Citation

1. This Order may be cited as the International Mutual Administrative Assistance in Tax Matters Order 2011.

Mutual administrative assistance arrangements to have effect

2. It is declared that—

- (a) the arrangements relating to international tax enforcement set out in the joint Council of Europe/Organisation for Economic Co-operation and Development Convention on Mutual Administrative Assistance in Tax Matters(2), as varied by the arrangements specified in the Protocol set out in the Schedule to this Order, have been made with the other signatories, and
- (b) it is expedient that the arrangements should have effect.

(1) 2006 c. 25.

(2) The Convention was given effect by the International Mutual Administrative Assistance in Tax Matters Order 2007 (S.I. 2007/2126).

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Instrument: *The International Mutual Administrative Assistance in Tax Matters Order 2011 No. 1079*

Name
Clerk of the Privy Council

SCHEDULE

Article 2

PROTOCOL AMENDING THE CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX MATTERS

Preamble

The member States of the Council of Europe and the member countries of the Organisation for Economic Co-operation and Development (OECD), signatories of this Protocol,

Considering that the Convention on Mutual Administrative Assistance in Tax Matters, done at Strasbourg on 25 January 1988 (hereinafter “the Convention”), was concluded before agreement was reached on the internationally agreed standard to exchange information in tax matters;

Considering that a new cooperative environment has emerged since the Convention was concluded;

Considering that it is desirable that a multilateral instrument is made available to allow the widest number of States to obtain the benefit of the new co-operative environment and at the same time to implement the highest international standards of co-operation in the tax field;

Have agreed as follows:

ARTICLE I

1. The seventh recital of the Preamble to the Convention shall be deleted and replaced by the following:

“Convinced therefore that States should carry out measures or supply information, having regard to the necessity of protecting the confidentiality of information, and taking account of international instruments for the protection of privacy and flows of personal data;”

2. The following shall be added after the seventh recital of the Preamble to the Convention:

“Considering that a new co-operative environment has emerged and that it is desirable that a multilateral instrument is made available to allow the widest number of States to obtain the benefits of the new co-operative environment and at the same time implement the highest international standards of co-operation in the tax field;”

ARTICLE II

Article 4 of the Convention shall be deleted and replaced by the following:

“Article 4 – General provision

1. The Parties shall exchange any information, in particular as provided in this section, that is foreseeably relevant for the administration or enforcement of their domestic laws concerning the taxes covered by this Convention.
2. Deleted.
3. Any Party may, by a declaration addressed to one of the Depositaries, indicate that, according to its internal legislation, its authorities may inform its resident or national before transmitting information concerning him, in conformity with Articles 5 and 7.”

ARTICLE III

1. The term “and” in paragraph 1.b of Article 13 of the Convention shall be replaced by the

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term “, or”.

2. The reference to “Article 19” in paragraph 1.f of Article 18 of the Convention shall be replaced by a reference to “Article 21.2.g”.

ARTICLE IV

Article 19 of the Convention shall be deleted.

ARTICLE V

Article 21 of the Convention shall be deleted and replaced by the following:

“Article 21 – Protection of persons and limits to the obligation to provide assistance

1. Nothing in this Convention shall affect the rights and safeguards secured to persons by the laws or administrative practice of the requested State.
2. Except in the case of Article 14, the provisions of this Convention shall not be construed so as to impose on the requested State the obligation:
 - a) to carry out measures at variance with its own laws or administrative practice or the laws or administrative practice of the applicant State;
 - b) to carry out measures which would be contrary to public policy (*ordre public*);
 - c) to supply information which is not obtainable under its own laws or its administrative practice or under the laws of the applicant State or its administrative practice;
 - d) to supply information which would disclose any trade, business, industrial, commercial or professional secret, or trade process, or information, the disclosure of which would be contrary to public policy (*ordre public*);
 - e) to provide administrative assistance if and insofar as it considers the taxation in the applicant State to be contrary to generally accepted taxation principles or to the provisions of a convention for the avoidance of double taxation, or of any other convention which the requested State has concluded with the applicant State;
 - f) to provide administrative assistance for the purpose of administering or enforcing a provision of the tax law of the applicant State, or any requirement connected therewith, which discriminates against a national of the requested State as compared with a national of the applicant State in the same circumstances;
 - g) to provide administrative assistance if the applicant State has not pursued all reasonable measures available under its laws or administrative practice, except where recourse to such measures would give rise to disproportionate difficulty;
 - h) to provide assistance in recovery in those cases where the administrative burden for that State is clearly disproportionate to the benefit to be derived by the applicant State.
3. If information is requested by the applicant State in accordance with this Convention, the requested State shall use its information gathering measures to obtain the requested information, even though the requested State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations

contained in this Convention, but in no case shall such limitations, including in particular those of paragraphs 1 and 2, be construed to permit a requested State to decline to supply information solely because it has no domestic interest in such information.

4. In no case shall the provisions of this Convention, including in particular those of paragraphs 1 and 2, be construed to permit a requested State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.”

ARTICLE VI

Paragraphs 1 and 2 of Article 22 shall be deleted and replaced with the following:

- “1. Any information obtained by a Party under this Convention shall be treated as secret and protected in the same manner as information obtained under the domestic law of that Party and, to the extent needed to ensure the necessary level of protection of personal data, in accordance with the safeguards which may be specified by the supplying Party as required under its domestic law.
2. Such information shall in any case be disclosed only to persons or authorities (including courts and administrative or supervisory bodies) concerned with the assessment, collection or recovery of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, taxes of that Party, or the oversight of the above. Only the persons or authorities mentioned above may use the information and then only for such purposes. They may, notwithstanding the provisions of paragraph 1, disclose it in public court proceedings or in judicial decisions relating to such taxes.”

ARTICLE VII

Paragraph 2 of Article 27 of the Convention shall be deleted and replaced by the following:

- “2. Notwithstanding paragraph 1, those Parties which are member States of the European Union can apply, in their mutual relations, the possibilities of assistance provided for by the Convention in so far as they allow a wider co-operation than the possibilities offered by the applicable European Union rules.”

ARTICLE VIII

1. The following paragraphs shall be added at the end of Article 28 of the Convention:

“4. Any member State of the Council of Europe or any member country of OECD which becomes a Party to the Convention after the entry into force of the Protocol amending this Convention, opened for signature on 27th May 2010 (the “2010 Protocol”), shall be a Party to the Convention as amended by that Protocol, unless they express a different intention in a written communication to one of the Depositaries.

5. After the entry into force of the 2010 Protocol, any State which is not a member of the Council of Europe or of the OECD may request to be invited to sign and ratify this Convention as amended by the 2010 Protocol. Any request to this effect shall be addressed to one of the Depositaries, who shall transmit it to the Parties. The Depositary shall also inform the Committee of Ministers of the Council of Europe and the OECD Council. The decision to invite States which so request to become Party to this Convention shall be taken by consensus by the Parties to the Convention through the co-ordinating body. In respect of any State ratifying the Convention as amended by the 2010 Protocol in accordance with this paragraph, this Convention shall enter into force on the first day of the month following the

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expiration of a period of three months after the date of deposit of the instrument of ratification with one of the Depositaries.

6. The provisions of this Convention, as amended by the 2010 Protocol, shall have effect for administrative assistance related to taxable periods beginning on or after 1 January of the year following the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the year following the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party. Any two or more Parties may mutually agree that the Convention, as amended by the 2010 Protocol, shall have effect for administrative assistance related to earlier taxable periods or charges to tax.

7. Notwithstanding paragraph 6, for tax matters involving intentional conduct which is liable to prosecution under the criminal laws of the applicant Party, the provisions of this Convention, as amended by the 2010 Protocol, shall have effect from the date of entry into force in respect of a Party in relation to earlier taxable periods or charges to tax.”

2. The following subparagraph shall be added after subparagraph e of paragraph 1 of Article 30 of the Convention:

“f) to apply paragraph 7 of Article 28 exclusively for administrative assistance related to taxable periods beginning on or after 1 January of the third year preceding the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the third year preceding the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party.”

3. The words “and any Party to this Convention” shall be added after the words “member countries of the OECD” in paragraph 1 of Article 32 of the Convention.

ARTICLE IX

1. This Protocol shall be open for signature by the Signatories to the Convention. It is subject to ratification, acceptance or approval. A signatory may not ratify, accept or approve this Protocol unless it has previously or simultaneously ratified, accepted or approved the Convention. Instruments of ratification, acceptance or approval shall be deposited with one of the Depositaries.
2. This Protocol shall enter into force on the first day of the month following the expiration of a period of three months after the date on which five Parties to the Convention have expressed their consent to be bound by the Protocol in accordance with the provisions of paragraph 1.
3. In respect of any Party to the Convention which subsequently expresses its consent to be bound by it, the Protocol shall enter into force on the first day of the month following the expiration of a period of three months after the date of the deposit of the instrument of ratification, acceptance or approval.

ARTICLE X

1. The Depositary with whom an act, notification or communication has been accomplished, shall notify the member States of the Council of Europe, the member countries of OECD and any Party to the Convention as amended by this Protocol of:
 - a) any signature;

- b) the deposit of any instrument of ratification, acceptance or approval;
 - c) any date of entry into force of this Protocol in accordance with the provisions of Article IX;
 - d) any other act, notification or communication relating to this Protocol.
2. The Depositary receiving a communication or making a notification in pursuance of the provisions of paragraph 1 shall inform the other Depositary thereof.
 3. The Depositaries shall transmit to the member States of the Council of Europe and the member countries of the OECD a certified copy of this Protocol.
 4. When this Protocol enters into force in accordance with Article IX, one of the Depositaries shall establish the text of the Convention as amended by this Protocol and shall send a certified copy to all the Parties to the Convention as amended by this Protocol.

In witness whereof the undersigned, being duly authorised thereto, have signed the Protocol.

Done at Paris, this 27th day of May 2010, in English and French, both texts being equally authentic, in two copies, one of which shall be deposited in the archives of the Council of Europe and the other in the archives of the OECD.

EXPLANATORY NOTE

(This note is not part of the Order)

The Schedule to this Order contains a Protocol (“the Protocol”) signed on behalf of the United Kingdom of Great Britain and Northern Ireland on 27th May 2010, which amends the joint Council of Europe (“CoE”)/Organisation for Economic Co-operation and Development (“OECD”) Convention on Mutual Administrative Assistance in Tax Matters (“the Convention”). The Convention was given effect by the International Mutual Administrative Assistance in Tax Matters Order 2007 (S.I. 2007/2126). This Order brings into effect the Convention, as amended by the Protocol.

The current signatories to the Convention are Azerbaijan, Belgium, Canada, Denmark, Finland, France, Georgia, Germany, Iceland, Italy, Korea, Mexico, Moldova, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Ukraine and the United States of America. All have also signed the Protocol save for Azerbaijan, Belgium, Canada, Germany and Spain.

Article 1 provides for citation.

Article 2 makes a declaration as to the effect and content of the arrangements.

The Convention provides for mutual administrative assistance in tax matters between its signatories in the form of exchange of information, assistance in the recovery of tax debts and the service of documents. The Protocol continues this approach, but brings the provisions of the Convention on exchange of information into line with current international standards. The Protocol also provides for the possibility of adherence to the Convention by non-CoE/OECD Member States.

Article IX of the Protocol provides that it shall enter into force on the first day of the month following the expiration of a period of three months after its ratification by five signatories to the Convention. Any signatory which ratifies the Protocol after it has entered into force will be bound by it on the first day of the month following the expiration of a period of three months from the date of that signatory’s ratification.

Once the Protocol enters into force, any Member State of the CoE or OECD which is not yet a signatory to the Convention but chooses to become a signatory will adhere to the Convention as amended by the Protocol upon ratification, unless they express a different intention. Non-CoE/OECD signatories will only be able to adhere to the Convention as amended by the Protocol.

The date of entry into force of the Protocol in respect of the United Kingdom of Great Britain and Northern Ireland will, in due course, be published in the *London, Edinburgh and Belfast Gazettes*.

A full and final Impact Assessment has not been produced for this Order as a negligible impact on the private or voluntary sectors is foreseen.