

United States General Accounting Office

GAO

Fact Sheet to the Chairman of the
Subcommittee on Oversight, House
Committee on Ways and Means

November 1985

IRS/TREASURY

Information on Selected Tax Treaties and Information Agreements



128356





UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

November 1, 1985

GENERAL GOVERNMENT
DIVISION

B-220922

The Honorable J. J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

The enclosed charts respond to your staff's October 1, 1985, request that the General Accounting Office provide you with information about income tax treaties and mutual assistance and information exchange agreements that the United States has entered into with Central American and Caribbean countries.

We reviewed documentation, correspondence, and other information concerning tax treaties and mutual assistance and information exchange agreements to prepare the charts. We also interviewed officials from the Department of Justice and the Internal Revenue Service (IRS). The charts present no conclusions or recommendations. Therefore, we did not discuss our array of the information with Department of Justice or IRS officials.

The charts show that the United States currently has few income tax treaties and mutual assistance and information exchange agreements with countries in Central America and the Caribbean. IRS officials attribute this to two primary factors-- (1) some of the countries do not generally impose income taxes and (2) tax haven countries such as Panama, the Bahamas, and the Cayman Islands believe that disclosing tax information to IRS would compromise their status as offshore financial centers.

As agreed with your staff, we will make this information available to other interested parties upon request. If you have questions, please contact me at 275-6407.

Sincerely yours,

Johnny C. Finch
Johnny C. Finch

Senior Associate Director

Enclosures - 3

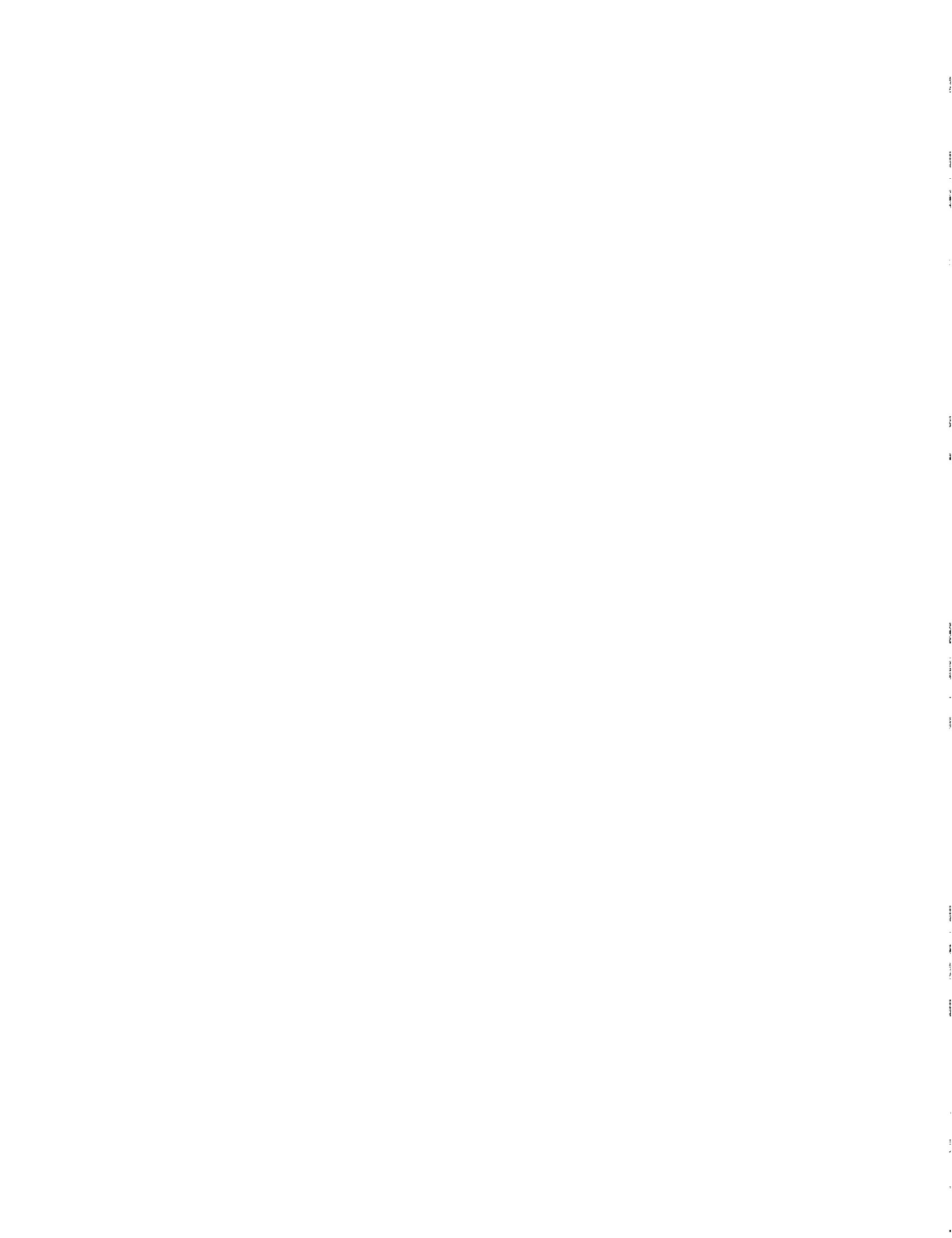


CHART 1

Income Tax Treaties That the
United States Has Entered Into
With Central American and Caribbean Countries
As of October 28, 1985

Countries Covered:	Jamaica Netherlands Antilles Trinidad and Tobago Barbados (pending U.S. Senate ratification)
Purpose Of Accords:	-relieve taxpayers from being taxed twice on the same income, -establish administrative mechanisms to resolve tax-related disputes, and -prevent tax avoidance and evasion through exchange of tax information.
Type Of Information Generally Subject To Exchange:	-information concerning double taxation cases, -information dealing with investment income paid to a treaty partner resident, -information provided upon request dealing with a specific taxpayer, -information provided in accordance with a criminal investigation of a multinational taxpayer, and -spontaneous exchanges of information uncovered during an audit or other investigation of a specific taxpayer.
Limitations On The Exchange Of Information Under The Accords:	A treaty partner is generally not required to -perform administrative tasks which conflict with internal laws and administrative practices; -supply information not obtainable under internal laws or in the normal course of their administration; -supply information disclosing trade, business, industrial, commercial, or professional secrets, the disclosure of which would be contrary to public policy.
Type Of Information Generally Not Subject To Exchange:	-ownership of bank accounts or bearer share instruments, -ownership of nominee accounts, or -ownership of trusts or corporations.

CHART 2

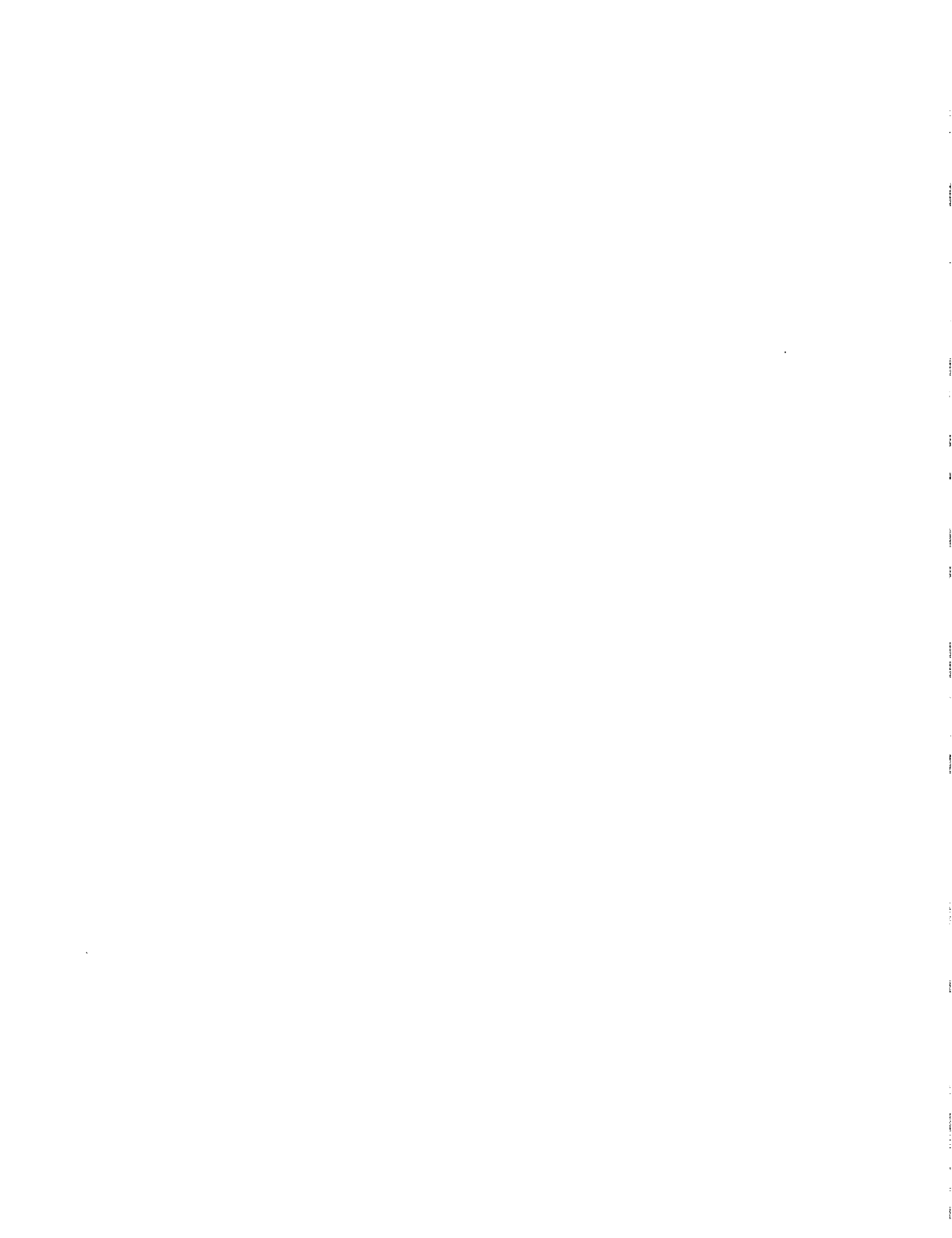
Mutual Assistance Agreements That the
United States Has Entered Into With
Central American and Caribbean Countries
As of October 28, 1985

Countries Covered:	Netherlands Antilles (included under the agreement with the Kingdom of the Netherlands)
Purpose Of Accord:	To provide for assistance in criminal prosecutions at the investigatory as well as the trial stage.
Assistance To Be Provided:	Assistance in -executing requests relating to criminal matters; -taking of testimony or statements of persons; -effecting the production, preservation, and authentication of documents, records, or articles of evidence; -returning to the requesting party any objects, articles, or any other property or assets belonging to it or obtained by the accused through offenses; -serving judicial documents, writs, summonses, records of judicial verdicts, and court judgments or decisions; -effecting the appearance of a witness or expert before a court of the requesting party; -locating persons; and -providing judicial records, evidence, and information.
Limitations On The Exchange Of Information Under The Accord:	Disclosure of tax information is strictly limited by the partner's domestic tax laws. Accordingly, tax disclosures will be provided "only to the extent, and under the same conditions, that they would be available in criminal investigations and proceedings in the requested State." Further, under the agreement, the Netherlands Antilles may refuse to provide assistance in cases involving fiscal offenses.
Type Of Information Generally Not Subject To Exchange:	-ownership of bank accounts or bearer share instruments, -ownership of nominee accounts, or -ownership of trusts or corporations.

CHART 3

Information Exchange Agreements That the
United States Has Entered Into With
Central American and Caribbean Countries
As of October 28, 1985

Countries Covered:	Barbados
Purpose Of Accord:	To qualify as a location for a convention or seminar under the Caribbean Basin Initiative, countries must enter into an exchange of information agreement with the United States. The agreements provide for exchanges of information that will assist the countries to -assure the accurate assessment and collection of taxes, -prevent fiscal fraud and evasion, and -develop improved information sources for tax matters.
Type Of Information Generally Subject To Exchange:	The agreement deals with both criminal and civil proceedings and generally includes information that may otherwise be subject to nondisclosure laws of the respective Caribbean country, such as provisions respecting bank secrecy and the ownership of bank accounts, trusts, or bearer shares. In this regard, the agreements may go beyond the type of information generally subject to exchange under U.S. income tax treaties.
Limitations On The Exchange Of Information Under The Accord:	Parties to the agreement are generally not required to -perform administrative tasks which conflict with internal laws and administrative practices, -supply information not obtainable under internal laws or in the normal course of their administration, -supply information disclosing trade, business, industrial, commercial, or professional secrets, the disclosure of which would be contrary to public policy, or -supply information which discriminates against a national (citizen, corporation, partnership, trust, estate, etc.) of that country.
Type Of Information Generally Not Subject To Exchange:	IRS has made limited use of the information exchange agreement with Barbados, so the type of information generally not subject to exchange is unknown.



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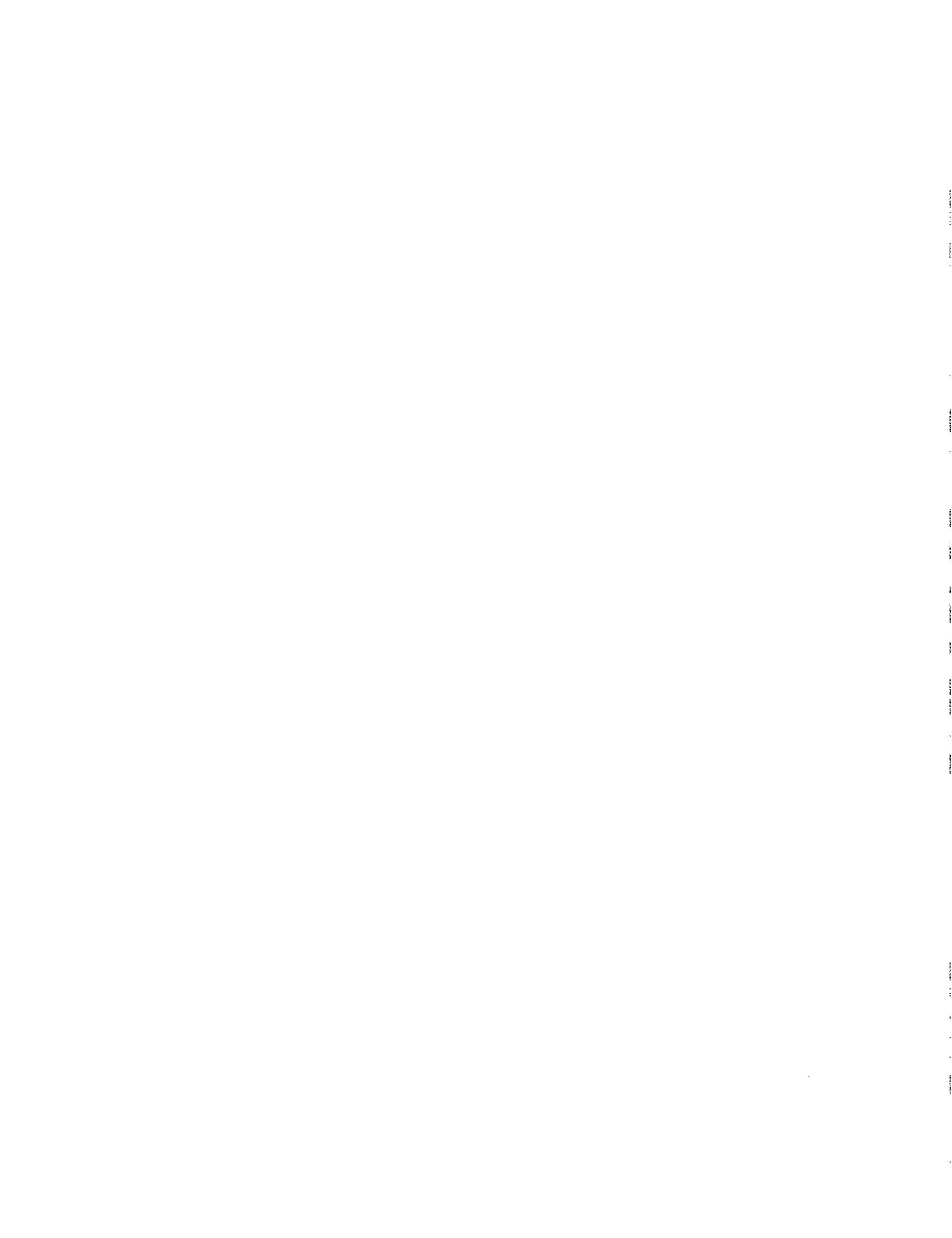
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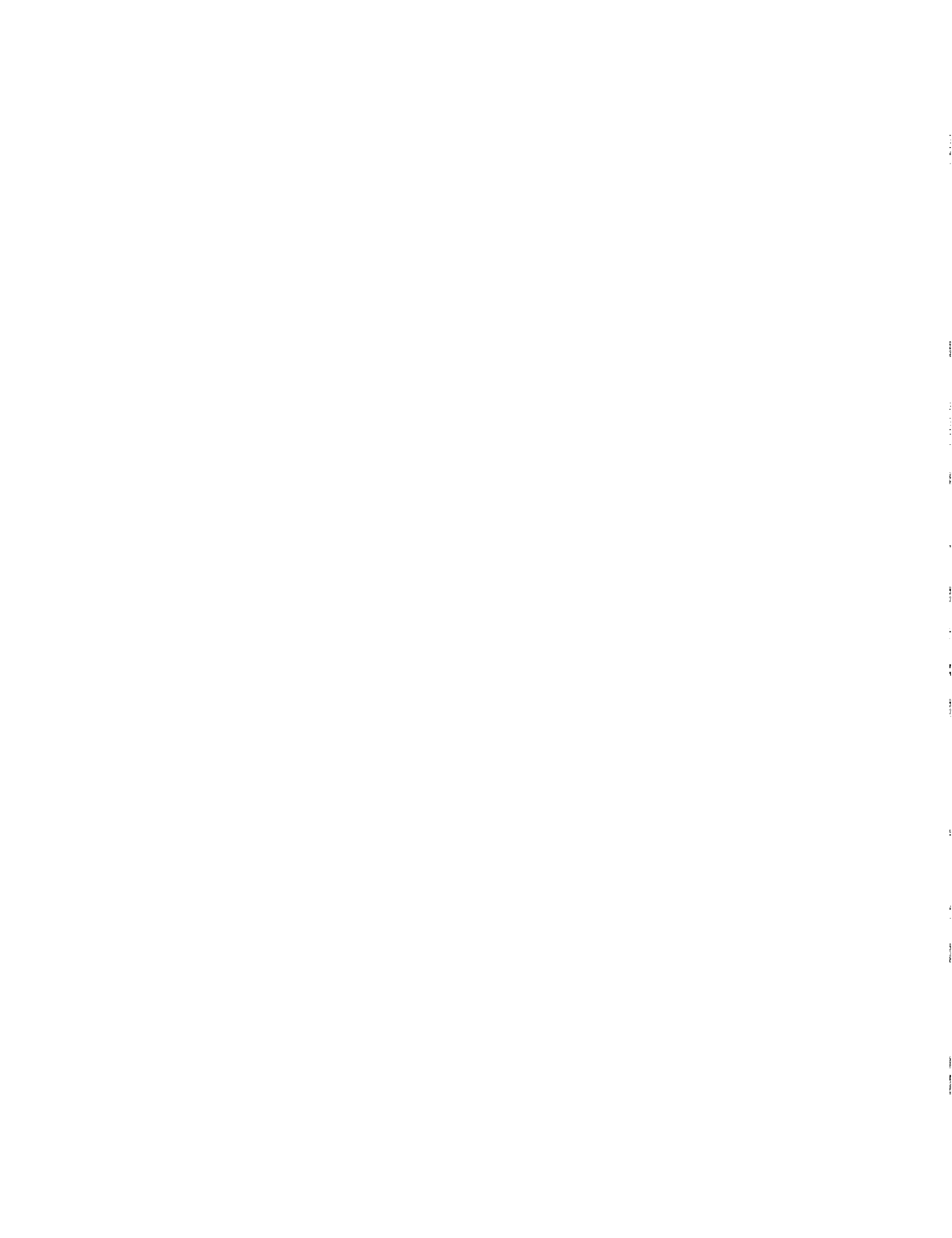
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