EMBASSY
OF THE PRINCIPALITY OF LIECHTENSTEIN

BOTSCHAFT
DES FÜRSTENTUMS LIECHTENSTEIN

The Honorable Phil Barnhart
Chairman
Oregon House Committee on Revenue
900 Court St, NW
H-279
Salem, OR 97301

Washington, February 3, 2015

Dear Representative Barnhart,

I am writing to you to express concern related to the Principality of Liechtenstein remaining to be included in a list of "tax havens" before the House Committee on Revenue. It is my opinion that proposed bill HB 2099 which "Modifies list of jurisdictions of incorporation for which income must be included on Oregon corporate excise tax return, if corporation is member of unitary group with Oregon corporation," should remove Liechtenstein.

In short, Liechtenstein and the US maintain a healthy and cooperative relationship in the area of transparency and the sharing of information related to tax matters both bilaterally and internationally. For example, the Liechtenstein Government has already enacted the Foreign Account Tax Compliance Act (FATCA) in addition to other bilateral agreements and treaties that allow cooperation between both countries at the highest levels. In addition, in October 2014, Liechtenstein joined the US in the early adoption of a multilateral competent authority agreement to automatically exchange financial information in tax matters as laid out by the OECD and G20.

Liechtenstein is recognized by the US and internationally as in compliance with bilateral and international transparency standards. Liechtenstein's capacity and legal infrastructure to monitor and actively pursue and exchange information on financial crimes has been boosted extensively through legal and domestic reforms as referenced in the enclosed document *"Combatting Financial Crimes"*. This has led to Liechtenstein becoming in norm with European and international regulations, as it actively engages with financial monitoring bodies such as the FATF and Moneyval as described in the enclosed ANNEX.

HB 2099 undermines Liechtenstein's positive and constructive partnership with the US government by calling into question Liechtenstein's commitment to transparency and cooperation and marginalizes existing bilateral legal mechanisms to crack down on tax evaders. Therefore, from the point of Liechtenstein's relationship with the US and international community it is wrong to designate Liechtenstein as a "tax haven."

I respectfully request that you will carefully consider my comments and share this letter with all members of your committee. Should you have any questions or require further information, please do not hesitate to contact my Senior Political Advisor, Mr. Matthew Keller, at 202-331-0591 or matthew.keller@was.llv.li.

Sincerely,

Claudia Fritsche
Ambassador

Enclosure:

- **ANNEX – Extra Comments on Liechtenstein-US Relations Liechtenstein's and International Cooperation in Tax Matters**
- ***"Combatting Financial Crimes"***
- ***2012 OECD Progress Report on the Jurisdictions Surveyed by the OECD Global Forum in Implementing the Internationally Agreed Tax Standard***

ANNEX – Extra Comments on Liechtenstein-US Relations and Liechtenstein's International Cooperation in Tax Matters

Liechtenstein-US Relations – Partnering to Fight against Financial Crimes

Liechtenstein has made partnering with the US government on issues related to combating financial crimes a top priority. This partnership includes the fight against terrorist financing, money-laundering, white-collar crimes as well as tax fraud and tax evasion.

Liechtenstein has worked closely with the US government – including the Office of Foreign Asset Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN) – to combat terrorist-financing networks.

With regard to sharing information related to specific cases of financial crimes, Liechtenstein has signed three agreements to address these issues.

- In 2002 Liechtenstein signed a Mutual Legal Assistance Treaty (MLAT) with the US allowing both governments to work together on a variety of issues including corruption, financial crime cases and the forfeiture of substantial assets.
- In 2008 Liechtenstein and the US signed a Tax Information Exchange Agreement (TIEA), which allows for Liechtenstein and the US to work closely together on a full range of tax issues including tax fraud and tax evasion. Liechtenstein banks also participate in the US Treasury Department's Qualified Intermediary program.
- In May of 2014 Liechtenstein and a US signed the Foreign Account Tax Compliance Act (FATCA) Agreement. With FATCA, the US is aiming to ensure that all accounts of individuals who are taxable in the US which are held abroad are reported. FATCA is a unilateral US legislation with worldwide applicability. Liechtenstein financial institutions are obliged to pass information on US accounts to the US Tax Authorities (Internal Revenue Services) or be subject to a substantial withholding penalty.

On February 26, 2014, James M. Cole, Deputy Attorney General of the United States, in a hearing before the Senate Permanent Subcommittee on Investigations, gave testimony stating that the Liechtenstein government, through changes to its laws, has "enabled the (US Department of Justice) to obtain account files of non-compliant US account holders."

Liechtenstein's International Cooperation in Tax Matters

- The United States government does neither recognize nor maintain any lists of jurisdictions such as the one present in SB 167. The only official body maintaining a list of jurisdictions as related to international cooperation in tax matters, recognized by the US, is the OECD, specifically its Global

Forum on Transparency and Exchange of Information for Tax Purposes. Liechtenstein successfully passed the Global Forum's 2012 peer review, which reviewed Liechtenstein's ability to cooperate with other tax administrations in accordance with the internationally agreed standard, and has moved on to its Phase 2 review.

- In 2009 the OECD recognized Liechtenstein as a jurisdiction which has fully implemented international cooperation standards. For your records I have enclosed the OECD's most recent progress report of December 2012, which places Liechtenstein in the same category as the United States as part of the OECD's list of countries which have implemented the internationally agreed tax standard.

- As part of Liechtenstein's international commitment to fully comply with the global standards of transparency and exchange of information, as recently as October 29, 2014 Liechtenstein was among 51 countries to sign an agreement to commit to implement automatic exchange of information as laid out by the OECD and G20, reaffirming past commitments. The Common Reporting Standard, which was released by the OECD in February of 2014, promotes globally the implementation of reporting obligations similar to or consistent with those prescribed under the US FATCA.

International Engagement in Financial Oversight

In addition to Liechtenstein's bilateral agreements addressing financial crimes, Liechtenstein's foreign policy pays great attention to the development and international enforcement of uniform rules to combat money laundering and the financing of terrorism. At the national level, numerous measures have been taken in recent years.

Liechtenstein is a State Party of the Convention of 8 November 1990 on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention). As a member of the Council of Europe, Liechtenstein actively participates in the work of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (Moneyval). Using the Financial Action Task Force on Money Laundering (FATF) as a model, this committee evaluates the implementation of the 40 FATF recommendations against money laundering and of the Strasbourg Convention in those member States of the Council of Europe that are not members of FATF.

In order to promote the worldwide implementation of the FATF standards, Liechtenstein also supports the Global Programme against Money Laundering (GPML) of the United Nations with financial contributions. An important thrust of this program is technical support in establishing effective Financial Intelligence Units in less-developed financial centers. Specialists from Liechtenstein also contribute their expertise to this activity.

Liechtenstein strongly condemns all acts of terrorism, irrespective of their motivation, wherever and by whoever committed. Liechtenstein has ratified all 13 universal counter-terrorism treaties and the amendments thereto, and cooperates with the relevant UN bodies to the fullest extent possible. In this regard, Liechtenstein has an active relationship with the UN's Counter-Terrorism Committee (CTC). Liechtenstein has also expressed its willingness to make financial expertise available to the CTC and to render technical support to other States in implementing counter-terrorism standards.

Cooperation with the European Union

Liechtenstein has ratified financial regulatory mechanisms agreed to with the European Union. These include:

2005 Savings Tax Agreement: Since 2005 Liechtenstein has incorporated the EU Savings Tax Directive, which levies a withholding tax on interest income and transfers a significant share thereof to the European domiciles of Liechtenstein bank clients. Within the scope of the Agreement, Liechtenstein is required to grant administrative assistance upon request in the case of tax fraud and similar offenses.

Schengen Agreement: In January 2009, Liechtenstein ratified the Protocol on its accession to the EU Schengen Agreement, which, among other things, establishes a framework for law enforcement cooperation among its members, including the use of coercive measures such as searches of business premises, confiscation of documents and questioning of employees. The Agreement also covers mutual legal assistance in tax matters and will enter into force after ratification by the EU.

EU Anti-Fraud Agreement (AFA): Negotiations of the AFA were substantially completed in 2008 and, in addition to strengthening information exchange on both direct and indirect taxes, provides for cooperation among the various countries' tax and law enforcement authorities, based on the rules applicable among EU member states. Notably, the AFA includes a provision that states that banking confidentiality laws cannot hinder tax information exchange. Liechtenstein has repeated its willingness to conclude the AFA, even on the basis of the OECD standards as recently requested by some EU member states. Final approval of the signing of the AFA is now dependent on approval by EU member states.

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COMBATING FINANCIAL CRIMES

Combating and preventing money laundering, terrorist financing, corruption, organized crimes and tax evasion are a major focus of Liechtenstein's financial center policy. Liechtenstein banking secrecy offers no protection to criminals and through the use of domestic and international legal mechanisms, financial secrecy is lifted in cases of suspected criminality. Liechtenstein has prevention and punishment systems to combat money laundering and terrorist financing.

Liechtenstein has made many comprehensive reforms in the regulation of its financial sector over the last ten years. Its initial reforms concentrated on anti-money laundering efforts. More recently, the government of Liechtenstein signed a landmark Tax Information Exchange Agreement (TIEA) with the United States and numerous other countries and concluded negotiations of an Anti-Fraud Agreement with the European Union. The United States government acknowledges Liechtenstein to be a trusted and effective collaborator in combating a wide range of financial crimes, including money laundering, terrorist financing, and tax fraud and recent reforms guarantee that Liechtenstein will provide the United States and others with a markedly increased range of cooperation on tax matters.

In addition to compliance with the highest international standards set by the Financial Action Task Force (FATF) in the fight against money laundering, Liechtenstein authorities also actively take part in the international dialogue on the further development of common standards. Milestones in the fight against money laundering and terrorist financing include:

- Liechtenstein is a State Party to the Convention of the Council of Europe on Money Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime (1990)
- Implementation of the 1st EU Money Laundering Directive (1995)
- Due Diligence Act enters into force (1997)
- Total revision of the Liechtenstein Mutual Legal Assistance Act (2000)
- Establishment of the Liechtenstein Financial Intelligence Unit (2001)
- Mutual Legal Assistance Treaty with the United States and adoption of the "Counterterrorism Package" (2002)
- Tightening of the Law on Professional Due Diligence in Financial Transactions (Due Diligence Act) (2004)
- Establishment of the Liechtenstein Financial Market Authority through enactment of the Financial Market Authority Act (2004)
- Implementation of the 2nd EU Money Laundering Directive (2005)
- Partial revision of the Mutual Legal Assistance Act (2008)
- Implementation of the 3rd EU Money Laundering Directive (2008)
- Signing of a Criminal Law Convention on Corruption and a Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters (2009)
- Liechtenstein is a member of the Group of States against Corruption (GRECO), the monitoring body established by the Council of Europe to improve the capacity of countries to prevent and combat corruption (2010)

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OECD PROGRESS REPORT

A PROGRESS REPORT ON THE JURISDICTIONS SURVEYED BY THE OECD GLOBAL FORUM IN IMPLEMENTING THE INTERNATIONALLY AGREED TAX STANDARD*[1]

Progress made as at 5 December, 2012 (Original Progress Report 2nd April 2009)

Jurisdictions that have substantially implemented the internationally agreed tax standard			
Andorra	Curacao	Japan	St Kitts and Nevis
Anguilla	Cyprus	Jersey	St Lucia
Antigua and Barbuda	Czech Republic	Korea	St Vincent and the Grenadines
Argentina	Denmark	Liberia	Samoa
Aruba	Dominica	Liechtenstein	San Marino
Australia	Estonia	Luxembourg	Seychelles
Austria	Finland	Macau, China	Singapore
The Bahamas	France	Malaysia	Sint Maarten
Bahrain	Germany	Malta	Slovak Republic
Barbados	Gibraltar	Marshall Islands	Slovenia
Belgium	Greece	Mauritius	South Africa
Belize	Grenada	Mexico	Spain
Bermuda	Guatemala	Monaco	Sweden
Brazil	Guernsey	Montserrat	Switzerland
British Virgin Islands	Hong Kong, China	Netherlands	Turkey
Brunei	Hungary	New Zealand	Turks and Caicos Islands
Canada	Iceland	Norway	United Arab Emirates
Cayman Islands	India	Panama	United Kingdom
Chile	Indonesia	Philippines	United States
China	Ireland	Poland	Uruguay
Cook Islands	Isle of Man	Portugal	US Virgin Islands
Costa Rica	Israel	Qatar	Vanuatu
	Italy	Russian Federation	

Jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented					
Jurisdiction	Year of Commitment	Number of Agreements	Jurisdiction	Year of Commitment	Number of Agreements
Tax Havens[2]					
Nauru	2003	(0)	Niue	2002	(0)
Other Financial Centres					

Jurisdictions that have not committed to the internationally agreed tax standard			
Jurisdiction	Number of Agreements	Jurisdiction	Number of Agreements
All jurisdictions surveyed by the Global Forum have now committed to the internationally agreed tax standard			

* Readers are referred to the outcomes from the Global Forum peer reviews for an in-depth assessment of a jurisdiction's (a) legal and regulatory framework (Phase 1 reviews) and (b) implementation of the standard in practice (Phase 2 reviews) [http://www.oecd.org/tax/transparency]

[1] The internationally agreed tax standard, which was developed by the OECD in co-operation with non-OECD countries and which was endorsed by G20 Finance Ministers at their Berlin Meeting in 2004 and by the UN Committee of Experts on International Cooperation in Tax Matters at its October 2008 Meeting, requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes. It also provides for extensive safeguards to protect the confidentiality of the information exchanged

[2] These jurisdictions were identified in 2000 as meeting the tax haven criteria as described in the 1998 OECD report