

## FOR IMMEDIATE RELEASE

### BFSB Statement: Enabling TIEA Legislation

**Nassau, Bahamas – January 15, 2004:** The Tax Information Exchange Agreement (TIEA) Act has been passed in The Bahamas Parliament, giving statutory effect to the TIEA signed with the United States in 2002. During debate in the House of Assembly, the Attorney General, the Hon. Alfred Sears, M.P., pointed out that it was necessary for The Bahamas to sign the exchange agreement with the United States to maintain its qualified jurisdiction status – and to remain competitive in the financial services arena.

Government officials also emphasised this point during a Parliamentary Seminar on the enabling legislation. It was said that without the agreement, financial institutions in The Bahamas would be subject to a 30% withholding tax on ALL income derived from U.S. investments. The threat of this withholding tax resulted in the financial services sector petitioning the government in 2002 to obtain the QJ status. QJ status, providing access to US markets for the purpose of investments in securities, was considered vital to the continued sustainability of the nation's financial services industry – as similar status is enjoyed by major competitors of The Bahamas, all of whom share information for tax purposes with the United States.

During the parliamentary debate officials pointed out that requests for information under a TIEA would be narrow, focused on individual taxpayers, and would require a declaration that the information is relevant or material to the administration of a criminal tax matter for requests relating to the taxable period starting January 1, 2004 and for both criminal and civil matters effective as of January 1, 2006.

Of important note is that information obtained through the agreement with the United States for *"the provision of information with respect to taxes and for other matters"* cannot be shared with other countries. Additionally, strong anti-fishing provisions are an integral part of the agreement.

An equivalency provision in the Agreement signed by The Bahamas allows consultations between the two Governments -- with appropriate modifications -- should the U.S. enter into arrangements with other jurisdictions that differ in "material aspect". This safe-guard protects The Bahamas from becoming disadvantaged vis a vis competing jurisdictions. As with its dealings with the Organisation for Economic Cooperation and Development (OECD), The Bahamas continues to insist on the application of "level playing field principles" committed to by The Bahamas in 2001.