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Rt Hon the Lord Richard QC
House of Lords
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Dear Irv.

Oral Parliamentary Questions, 25 March 2010

On 25 March 2010 you asked me a question concerning the Tax Information Exchange Agreement (TIEA) signed with Belize as announced by the Chancellor of the Exchequer in his Budget speech on 24 March. The question and the answer I gave were as follows:

“Lord Richard: My Lords, my noble friend will certainly have read yesterday that this country is going to conclude various tax statutes with different countries. In response to my noble friend's suggestion that we should take this matter seriously, I propose doing so. What are we seeking from Belize and, if we get it, how will it enable the tax affairs of people who spend a lot of time in Belize but also spend a certain amount of time and money in this country to be more transparent? Will we learn more or will we not?

Lord Bach: My Lords, I do not know the answers to my noble friend's question. Double taxation agreements, one of which, as the Chancellor-famously now-announced, is to be with Belize, protect against the risk of double taxation where the same income gains or assets are taxable in two states. The exact outcome depends on which country is concerned and the terms of the agreement. Where a Peer or Member of Parliament has income, gains or assets in a state that has a double taxation agreement with the UK, they will be taxed in accordance with that agreement. The effect of the provisions in the Bill, which I think is what my noble friend is getting at, will be that MPs and Peers are to be treated like the vast majority of people in the United Kingdom who are resident, ordinarily resident and domiciled in the UK for tax purposes. As such, they will be subject to double taxation agreements in the same way as the majority of people in the UK. The new provisions do not override double taxation agreements.¹

¹ HL Deb 25 March 2010 c1063

I am writing to clarify the answer that I provided. As I indicated at the time, I did not have the information relating to TIEAs that you sought to hand. I went on to describe Double Taxation Agreements (DTAs) and their relationship to provisions contained in the Constitutional Reform and Governance Bill. These provisions will have the effect of deeming all MPs and Peers resident, ordinarily resident and domiciled in the United Kingdom for the purposes of income tax, capital gains tax and inheritance tax from the start of the next Parliament. I accept that your question did not relate to these provisions and I apologise for any confusion my answer may therefore have caused.

My answer suggested that the Chancellor had announced in his Budget speech that a DTA had been signed with Belize. For the avoidance of any doubt, I should clarify that the Chancellor announced that a TIEA had been signed, not a DTA. TIEAs enable countries to exchange confidential information necessary for tax compliance purposes. The Agreement with Belize was signed by the Financial Secretary to the Treasury, Stephen Timms, and the High Commissioner of Belize on 25 March. It will help counter fraud, tax evasion and avoidance. It is based on the OECD Model TIEA and the international standard promoted by the G20. TIEAs provide for exchange of information on request, of information foreseeably relevant in a tax investigation or assessment of tax liabilities. The requested authority is obliged to provide the information, whether held by an individual, a bank or any type of company or trust. The Agreement with Belize demonstrates the increasing willingness of countries throughout the world to implement high standards of transparency and exchange of information since the G20 London Summit of April 2009. The UK has signed 22 TIEAs (or equivalent agreements) since the London Summit

I am placing a copy of this letter in the Library of the House.

Yours Gov,
Willy

WILLY BACH