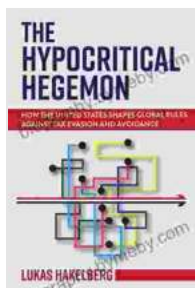


# Unveiling the United States' Pivotal Role in Shaping Global Rules Against Tax Evasion and Avoidance



## The Hypocritical Hegemon: How the United States Shapes Global Rules against Tax Evasion and Avoidance (Cornell Studies in Money) by Anne Janzer

★★★★☆ 4.4 out of 5

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In the intricate realm of international finance, the United States stands as a formidable force, shaping the very foundations of global tax policy. Through its unwavering commitment to combatting tax evasion and avoidance, the nation has played a pivotal role in crafting a comprehensive framework of international tax laws and regulations that span continents.

This article embarks on an in-depth exploration of the United States' profound influence on the global tax landscape. We will delve into the intricacies of international tax policy, unraveling the complex web of laws

and agreements that govern the taxation of multinational corporations and individuals alike.

## **The Genesis: A Surge of Global Tax Evasion Concerns**

The impetus for the United States' active involvement in international tax policy can be traced back to the growing alarm over the rampant tax evasion and avoidance practices that were eroding government revenues and undermining fair competition.

In the 1980s and 1990s, the proliferation of tax havens—jurisdictions with notoriously low tax rates and lax reporting requirements—provided fertile ground for individuals and corporations seeking to evade their tax obligations. This illicit activity deprived governments of much-needed funds, distorted markets, and created an unfair playing field for businesses operating in good faith.

## **The United States' Spearheading Role in the OECD**

Recognizing the dire consequences of tax evasion and avoidance, the United States emerged as a leading advocate for international cooperation in this critical area. In 1998, the nation spearheaded the creation of the Harmful Tax Practices Working Group (HTPWG) within the Organisation for Economic Co-operation and Development (OECD).

The HTPWG has been instrumental in developing and implementing a comprehensive set of international tax standards aimed at curbing harmful tax practices and ensuring a more equitable distribution of tax revenues. These standards, known as the "OECD Model Tax Convention," provide a framework for countries to negotiate tax treaties that prevent double taxation and combat tax evasion and avoidance.

## **Groundbreaking Initiatives: FATCA and CRS**

The United States has also played a central role in developing and implementing two groundbreaking initiatives that have significantly strengthened the global fight against tax evasion and avoidance: the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS).

FATCA, enacted in 2010, requires foreign financial institutions to report the balances and activities of U.S. citizens and residents who hold accounts with them. This information is then shared with the Internal Revenue Service (IRS), enabling the U.S. government to identify and pursue individuals who are evading taxes through offshore accounts.

CRS, developed by the OECD, is a similar reporting standard that has been adopted by over 100 countries. CRS requires financial institutions to automatically exchange information about the accounts of non-resident taxpayers with their tax authorities. This exchange of information greatly enhances the ability of tax authorities to detect and prevent tax evasion.

## **The G20 and the BEPS Project**

The United States has also been a driving force behind the G20's Base Erosion and Profit Shifting (BEPS) project, a comprehensive effort to tackle the sophisticated tax avoidance practices employed by multinational corporations.

The BEPS project resulted in the development of a set of 15 action plans that address various aspects of corporate tax avoidance, including transfer pricing, profit shifting, and the use of tax havens. These action plans are

designed to ensure that multinational corporations pay their fair share of taxes in the countries where they operate.

## **Challenges and the Road Ahead**

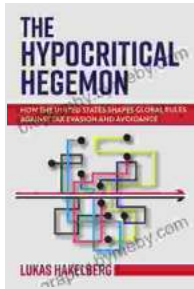
Despite the significant progress that has been made, the fight against tax evasion and avoidance remains an ongoing challenge. Tax havens continue to pose a threat to global tax fairness, and new avoidance schemes are constantly being devised.

The United States must continue to play a leading role in strengthening the global tax framework. This includes promoting the adoption of FATCA and CRS by more countries, enhancing international cooperation on tax enforcement, and developing new strategies to address emerging tax avoidance practices.

The United States has played a pivotal role in shaping global rules against tax evasion and avoidance. Through its leadership in international organizations, the development of groundbreaking initiatives, and its commitment to enforcing tax laws, the United States has helped to create a more equitable and transparent global tax system.

As the world continues to grapple with the challenges of tax evasion and avoidance, the United States must remain at the forefront of the fight. By continuing to work with other countries and developing innovative solutions, the United States can ensure that the global tax system is fair, efficient, and sustainable for all.

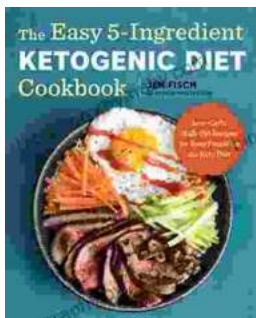
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