

OECD's TRACE Project

Treaty Relief and Compliance
Enhancement

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Background and Objectives 1

- 8 year joint project OECD WP 1 and Financial Industry
- Collective Investment Vehicles: Treaty Entitlement / Increased Access
- Treaty Relief Mechanism for cross-border portfolio investment / Relief at source in intermediated structures (cross-border investments held through financial intermediaries for clients (based on QI ideas))

Background and Objectives 2

- CIV: Recommendations for OECD Model Changes /Commentary Changes (entitlement in own name, entitlement based on Treaty entitlement of investors /equivalent beneficiaries / proportionate relief)
- Enhanced Treaty Entitlement Mechanism: Best Practices Recommendations
- Authorised Intermediary Approach

Authorised Intermediary 3

- Agreement between Authorised Intermediary and source country (Optional)
- Self-declaration of AI's clients and request for treaty relief /relief under domestic legislation
- Pooling of Information (aggregated according to relief rate) in chain of Authorised Intermediaries (no disclosure of client identity except in cases of “contractual intermediaries”)

Authorised Intermediary 4

- Annual Reporting to Source Country of Investors Details and relieved income by Authorised Intermediary /
- Possible Exchange of Information between Source Country and Residence Country based on Exchange of Information Clause in DTT
- Some difference to FATCA and other schemes: relief from withholding taxes /efficient system with tax compliance indirect product

Implementation Package 5

- General Introduction to Authorised Intermediary Scheme
- Application to become an AI
- Specific AI Agreement
- Guiding Principles (details of the AI scheme)
- Self-Declarations (for all types of clients)
- Reporting to Source Country
- Independent Review

Reporting to Source Country 6

- OECD TRACE XML Reporting Schema
(developped and conceptually pilot tested)
- 2012: Reporting under FATCA /Reporting under IGA Model 1 and Model 2 / Reporting under EU Savings Directive
- Overlap of different Reporting Schemas
- OECD 2012 endeavours to unify reporting schemas

Business Perspective 7

- Real concern of variety of different Reporting Regimes / Schemas: massive cost and IT impact /complexity and failure risks
- Aim: As much as possible standardized and uniform reporting schema (covering as much as possible FATCA, TRACE and possible other reporting approaches)/ no unnecessary information / validity fields
- Joint and common work to have clear format

Business Perspective 8

- TRACE: enhanced treaty relief /relief at source still a must under DTTs promise of guaranteeing “effective treaty relief”
- Portfolio investors entitled to relief / magnitude of cross-border investments
- Scalability of Authorised Intermediary System (Standardization through Implementation Package, wider application the easier to build)