



DEVELOPMENTS IN INTERNATIONAL INFORMATION EXCHANGE

1 February 2013



Exchange of information

- Very high on the political agenda since a number of years:
 - Cross-border tax evasion scandals
 - Financial Crisis
 - G20 process

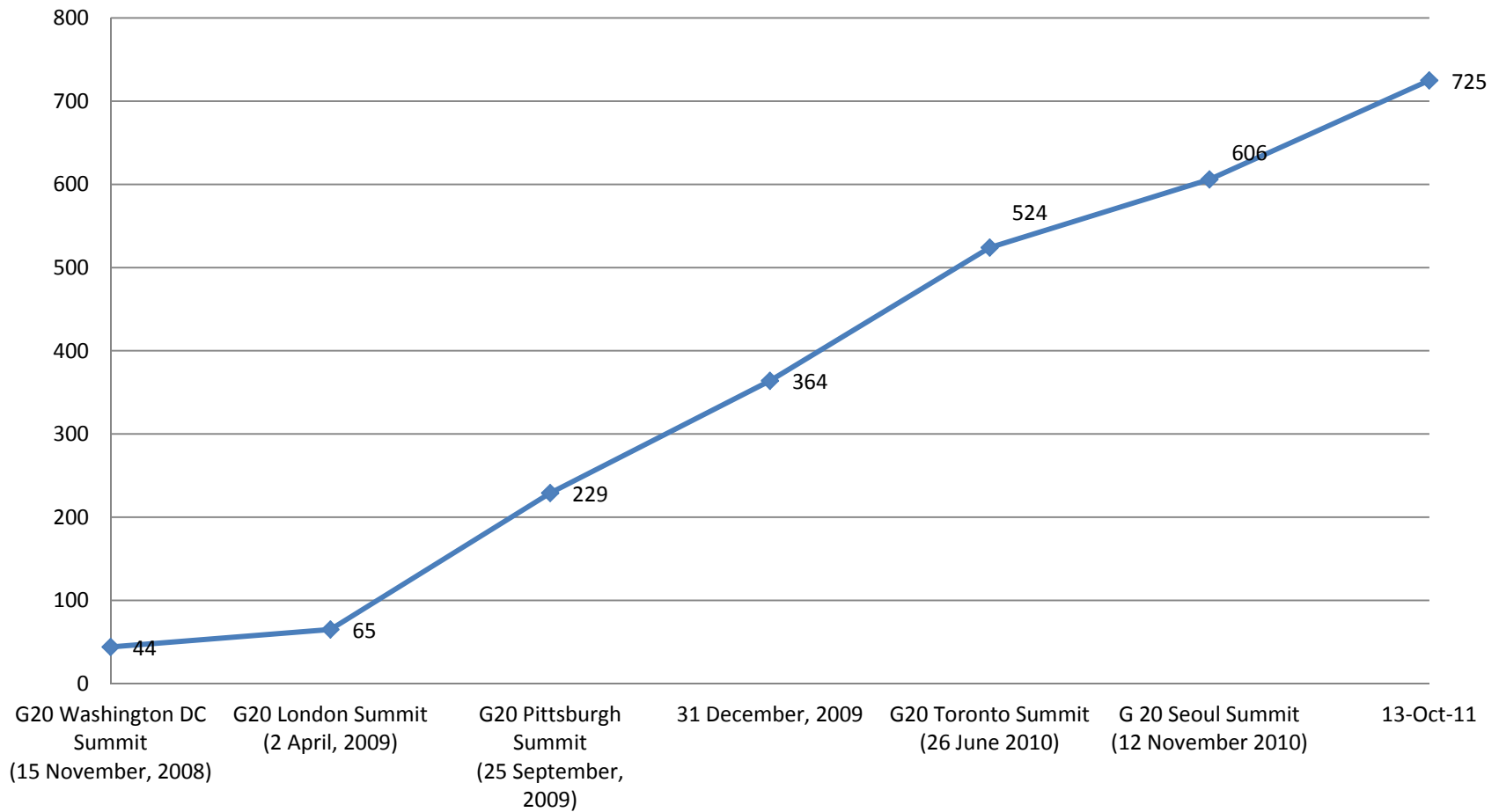


What has been achieved: Information exchange upon request

- 2004: International standard on transparency and exchange of information endorsed by the G20 Finance Ministers in 2004
- 2009: Global Forum on Transparency and Exchange of Information set up in its present form - peer review process
- Standard universally accepted and peer review process well underway (88 peer review reports completed; 545 recommendations made to jurisdictions; 59 jurisdictions that have made/proposed changes their laws,..)



TIEAs/DTCs signed since November 2008





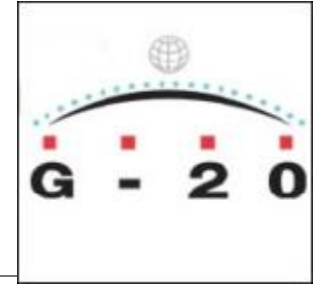
From on request to automatic exchange?

The international standard is exchange of information on request, BUT there is growing interest by countries to engage in automatic exchange of information.

However, this does not suggest a change to the international standard.



G20 (Mexico, 2012)



- G20 Ministerial, February 2012:
“We call for an *interim report* and update by the OECD on necessary steps to improve comprehensive information exchange, including *automatic exchange of information ...*”
- G20 Leaders Declaration, June 2012:
“... We *welcome the OECD report* on the practice of *automatic information* exchange, where we will continue to lead by example in implementing this practice. We call on countries to join this growing practice as appropriate and strongly encourage all jurisdictions to sign the Multilateral Convention on Mutual Administrative Assistance ...”
- G20 Ministerial, November 2012:
“...We will continue to implement practices of automatic exchange of information and call on the OECD to analyze the safeguards, mechanisms and milestones necessary to increase its use and efficient... “



OECD work on automatic exchange

- The OECD has been active in facilitating automatic exchange for the past 20 years
 - Created legal framework, developed technical standard on format (STF) *[which was used by EU to develop FISC 153]*, developed guidance, provides training, etc.
 - 1997 TIN recommendation
- OECD Report published on 24 July 2012:
“Automatic Exchange of Information: What it is, How it works, Benefits, What remains to be done”

http://www.oecd.org/ctp/exchangeofinformation/AEOI_FINAL_with%20cover_WEB.pdf



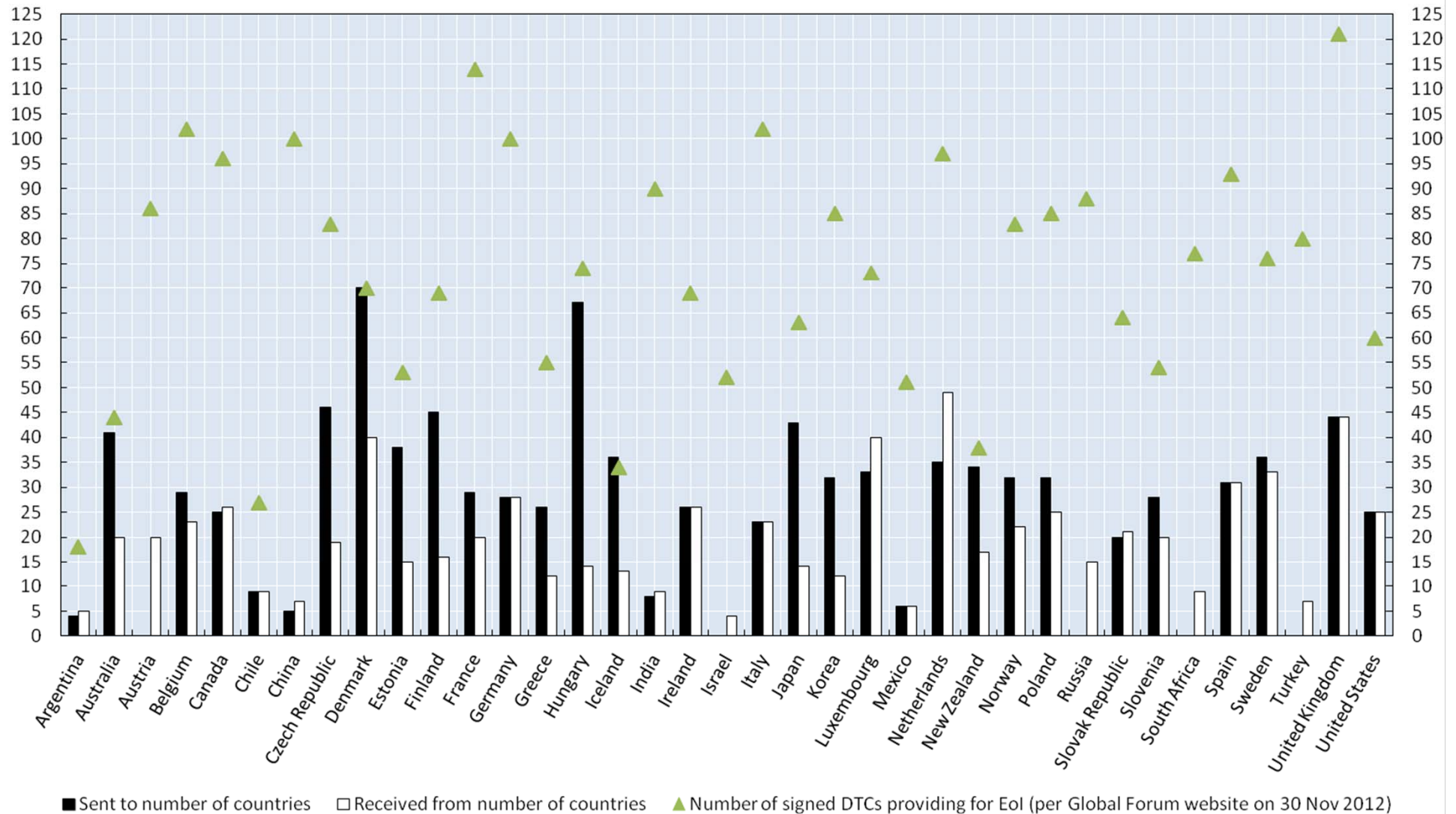
OECD work on automatic exchange –

What does the work on automatic exchange show?

- Widespread use both within Europe and outside
- Effective compliance tool:
 - Help detect cases of non-compliance even where tax administrations have had no previous indications of non-compliance
 - Deterrent effect



Widespread use of automatic exchange





Work on automatic exchange –

What still needs to be done?

- 8 Key components in successful automatic exchange

From the perspective of the **receiving country**:

1. **What** – Defining scope of income / transactions to cover.
2. **Who** – Defining the information to capture regarding the taxpayer / beneficial owner.
3. **Quality** – Ensuring data quality; e.g. data validation, TIN verification, general due diligence standards.
4. **When** – When to receive the information.
5. **How to exchange** – The format to use, encryption and transmission system.
6. **How to use** – Risk assessment, matching, compliance action.



Work on automatic exchange –

What still needs to be done?

- 8 Key components in successful automatic exchange

From the perspective of the **sending country**:

7. **Confidentiality** – Keeping information protected both in law and in practice.
8. **Reciprocity, acknowledgement and feedback.**



FATCA IGAs as starting point for a CRS?

- Art. 6.3 IGA Model 1: commitment to work with OECD on common system for AEOI, including reporting and due diligence standards for financial institutions
 - OECD welcomes co-operative and multilateral approach
 - Stresses importance of keeping compliance costs as low as possible for both governments and businesses
 - Supports efforts to work on common model of reporting and due diligence
- [\(<http://www.oecd.org/ctp/taxoecdwelcomesmultilateraleffortstoimproveinternationaltaxcomplianceandtransparency.htm>\)](http://www.oecd.org/ctp/taxoecdwelcomesmultilateraleffortstoimproveinternationaltaxcomplianceandtransparency.htm)
- Strong business and government support for work on CRS



FATCA IGAs as starting point for a CRS

- Model 1 IGA: a good template for CRS?
 - makes sense from a policy and cost perspective to leverage investments already being made by financial institutions and governments
 - covers almost all components for successful automatic exchange as described in OECD report to G20, but
 - changes would be necessary to move from bilateral to multilateral approach



Long term direction of work

- Common standard for residence country reporting and exchange
- Common standard for source country reporting as part of common relief at source system (TRACE)
- Exploit synergies between TRACE and CRS