



Taxation of HWI -How to utilize EOI-

10th IMF - Japan High - Level Tax Conference for Asian Countries

April 25, 2019 - Tokyo

**Kiyoshi Nakayama
Fiscal Affairs Department**

Views expressed here are mine, and should not be attributed to the IMF, its Executive Board or its management

Context

- Most of Asian countries tax their residents' world-wide income
- Investing abroad became easier thanks to progress in IT and financial service
- Exchange of information (EOI) underpins the world-wide taxation.
- There has been a significant progress in EOI since 2009.
- What should be done for tax administrations to utilize EOI

Outline

- What should be done to utilize EOI
- Survey outcomes

What should be done to utilize EOI

Legal Framework

International legal framework: one of the following should be in place:

1. Double Taxation Agreement (DTA)
2. Tax Information Exchange Agreement (TIEA)
3. Convention on Mutual Administrative Assistance in Tax Matters

For AEOI, a multilateral or bilateral competent authority agreement is also necessary.

Tax Treaty Network of Asian Countries

Country/Jurisdiction	Tax Treaties in force	TIEAs in force	Multilateral Treaty for Admin. Assistance
Australia	44	36	In force
Bangladesh	34	34	
China	110	10	In force
Hong Kong	40	7	In force
India	95	19	In force
Indonesia	69	4	In force
Japan	61	11	In force
Korea	99	4	In force
Lao PDR	14	0	
Malaysia	75	1	In force
Mongolia	26	1	
Myanmar	8	0	
Nepal	11	0	
PNG	10	0	
Philippines	43	0	Signed
Sri Lanka	44	0	
Thailand	61	0	
Timor Leste	0	0	
Vietnam	73	0	

Legal Framework

Domestic legal framework: laws should enable tax authorities to access financial information regardless of:

1. Bank secrecy
2. Domestic tax interest

Confidentiality of received information should be secured by laws.

For AEOI, laws should require financial institutions to report information on their non-resident clients to tax authorities.

Administrative Framework

- Organization
 - A dedicated EOI section is “MUST”, but...
- IT system
 - Data collection
 - Data matching
 - Data mining
- Operations
 - An audit cycle
 - Key Performance Indicators,

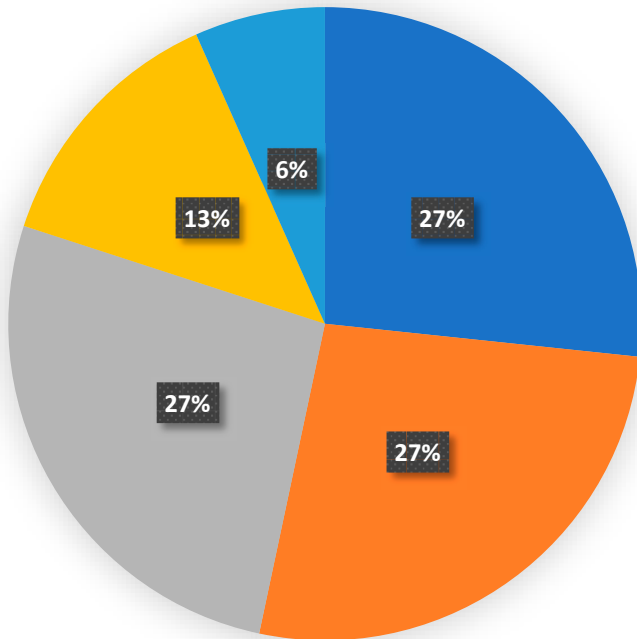
Potential deficiencies in AEOI

- Country of residence
 - A citizenship by investment
 - Due diligence procedures by financial institutions
 - Need for publishing statistics
- Level playing field
- Reciprocity
- Beneficial ownership information
 - Corporate registry

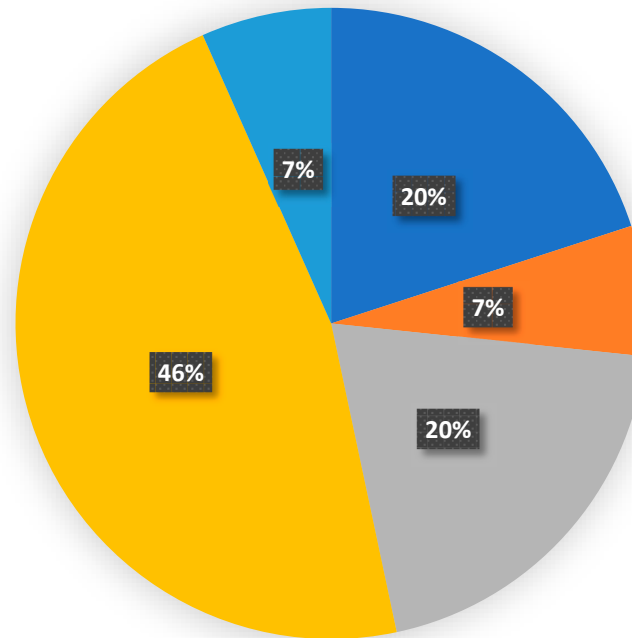
Survey Outcomes

Exchange of Information on Request

Treaty partners to which
a country sent EOIR
/Total treaty partners



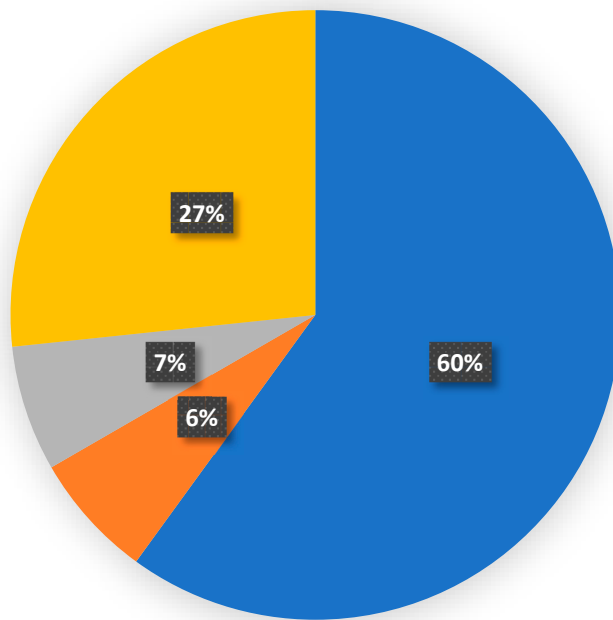
Treaty partners from which
a country received EOIR
/Total treaty partners



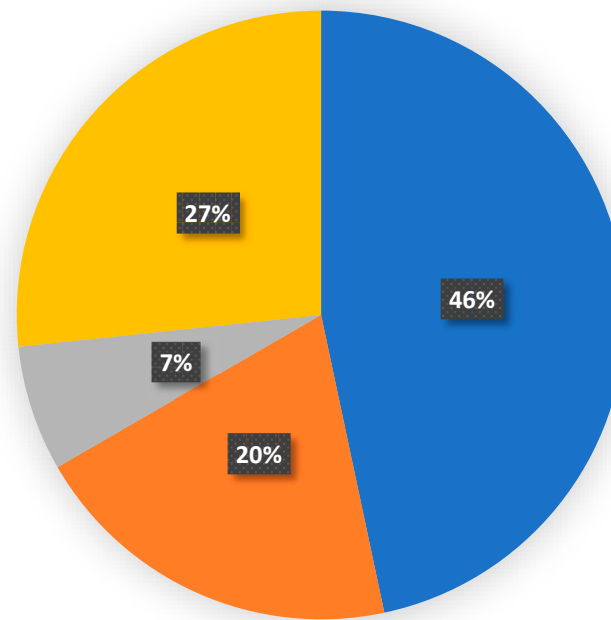
- 0
- Exceeding 0% less than 10%
- Exceeding 10% less than 20%
- Exceeding 20% less than 50%
- Exceeding 50%

Automatic Exchange of Information

Treaty partners to which
a country sent AEOI
/Total treaty partners

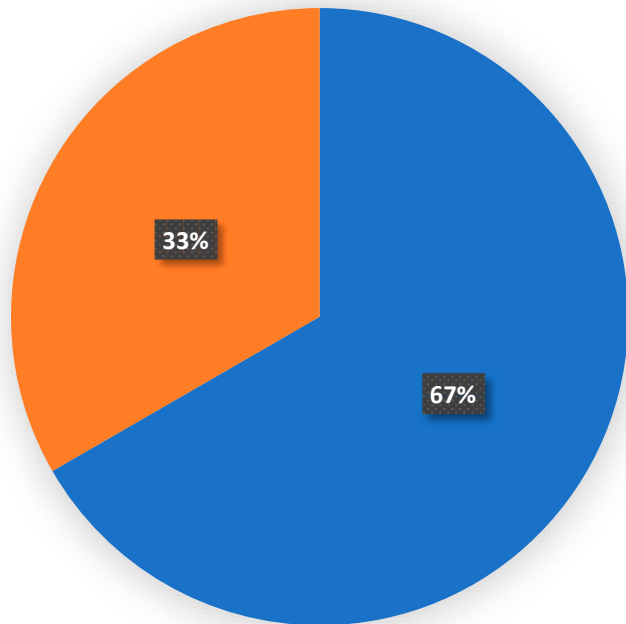


Treaty partners from which
a country received EOIR
/Total treaty partners

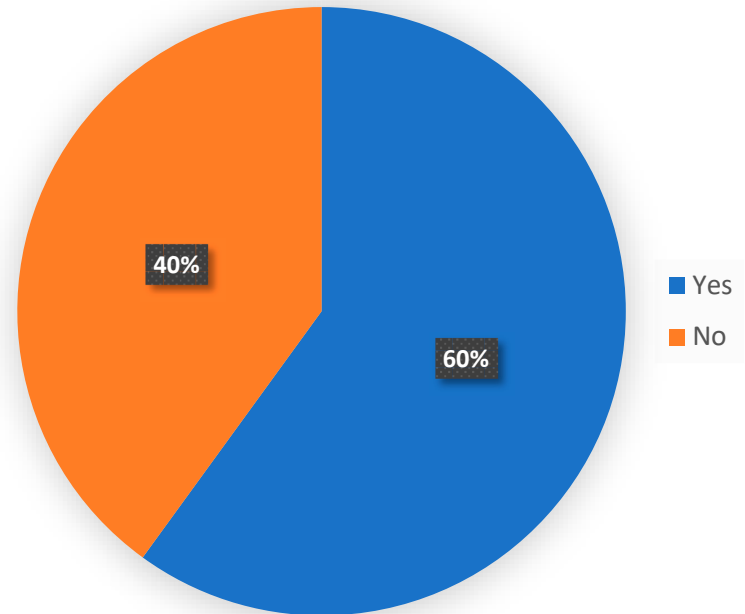


- 0
- Exceeding 0% less than 10 %
- Exceeding 10% less than 50%
- Exceeding 50%

EOI Section



Countries using EOI in Tax Audits



■ Yes
■ No