



# SESSION IV: AUTOMATIC EXCHANGE OF INFORMATION

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JOINT IMF-INDONESIA HIGH-LEVEL CONFERENCE  
INTERNATIONAL TAXATION IN ASIA: ISSUES AND THE WAY FORWARD

13 July 2017, Jakarta



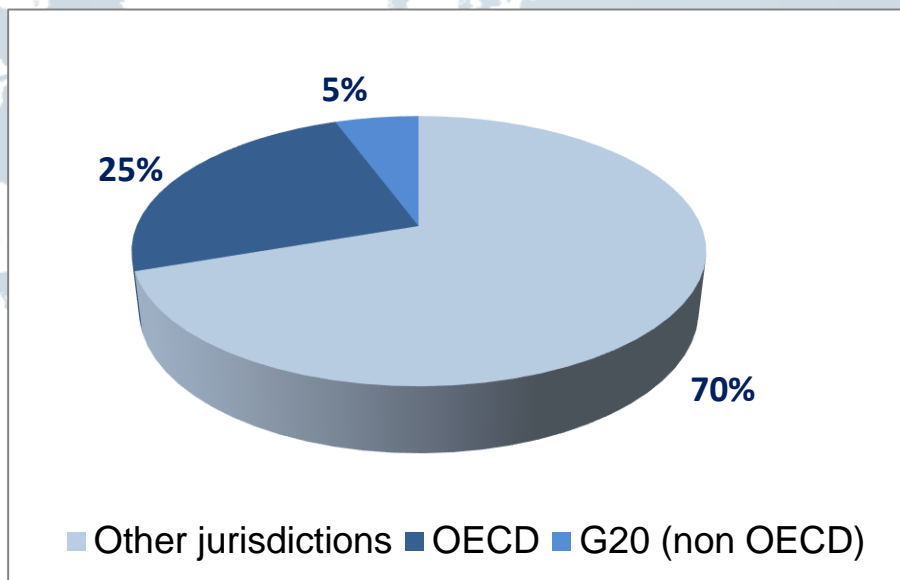
# Global Forum Membership

## Inclusive approach – equal footing

142 members

8 new jurisdictions  
joined in 2016:

Chad  
Egypt  
Guyana  
Kuwait  
Lebanon  
Maldives  
Moldova  
Paraguay  
Togo



6 new jurisdictions  
joined in 2017:

Benin  
Djibouti  
Ecuador  
Faroe Islands  
Thailand,  
and more expected



# The Mission of the Global Forum

To facilitate the effective global implementation of the internationally agreed standards of transparency and exchange of information in the tax area through in-depth monitoring and peer review.



**EOIR**



**AEOI**



## EOIR-State of Play

- 142 countries committed to implementation and to undergo peer reviews
- First round completed and compliance ratings assigned
- Second round commenced with revised Terms of reference which now include beneficial ownership requirements.



# New Round-what's new

## Beneficial ownership

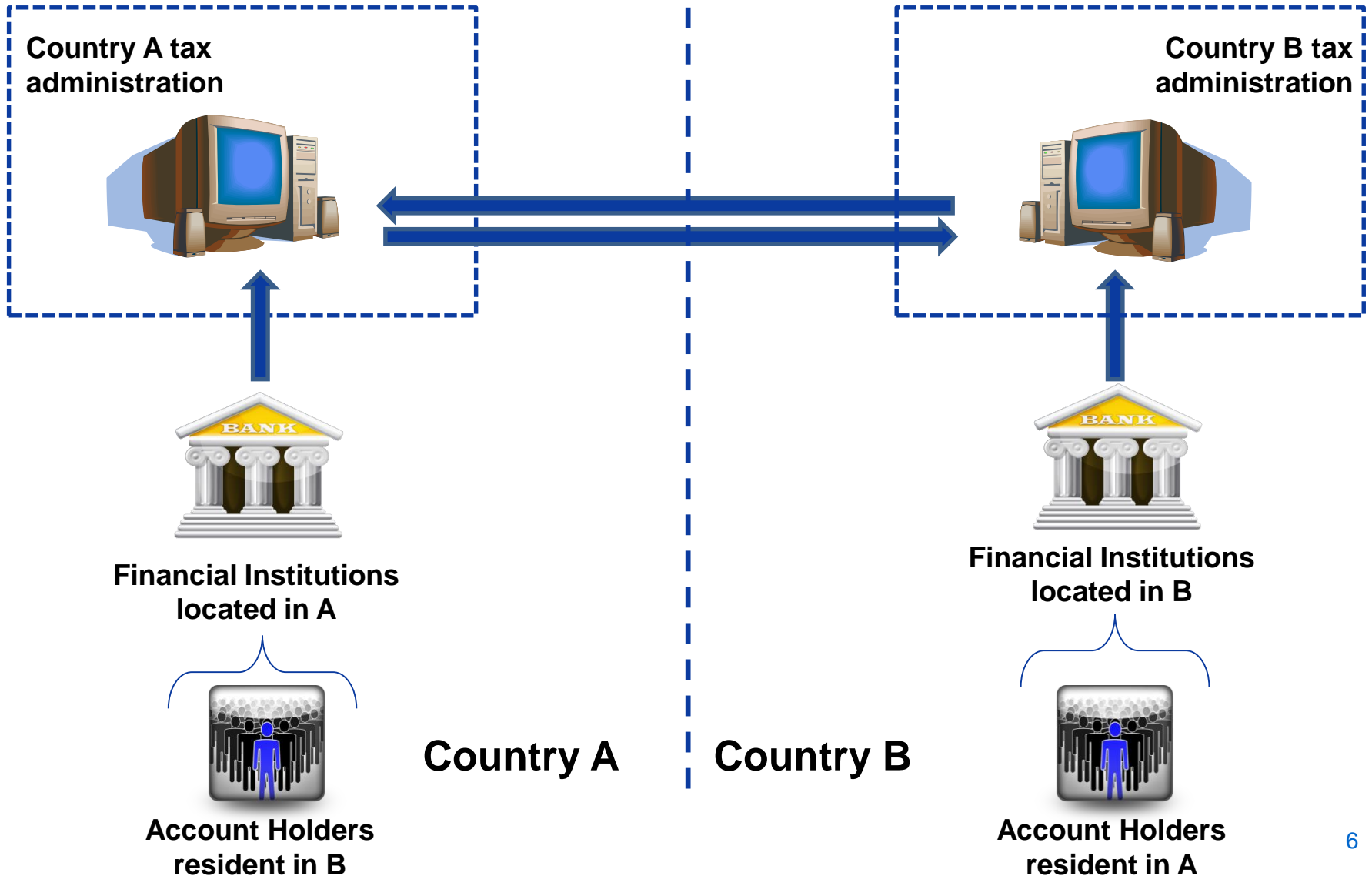


## Group requests





# AEOI-Common Reporting Standard







# AEOI-The Common Reporting Standard

2013: G20 signalled the move  
towards an AEOI as a new global  
standard



2014: the CRS – which builds upon  
the US FATCA – was developed by  
the OECD

“... we endorse the global Common  
Reporting Standard for the automatic  
exchange of tax information (AEOI) ...”

“We will begin to exchange information  
automatically with each other and with  
other countries by 2017 or end-2018 ...”

“We welcome financial centres’  
commitments to do the same and call on  
all to join us.”





# The Common Reporting Standard

## 2014

- ❑ The AEOI Standard adopted by the GF as its 2nd standard
- ❑ Commitments sought from members to exchange by 2017 or 2018
- ❑ Developing countries without a financial centre – not asked to commit to a specific date
- ❑ Global implementation – an ultimate goal but the timeline is to be defined

## 2016

- ❑ The GF plenary called for all developing country members to take steps towards implementing the AEOI Standard **“as soon as practicable”**





# AEOI commitment process

**The ultimate goal –  
global implementation of AEOI:**

**To deliver a level playing field**

**To prevent taxpayers from  
moving their assets**

**Exclusion of developing  
countries without financial  
centers:**

**To account for lower risks**

**To accommodate greater  
implementation challenges**



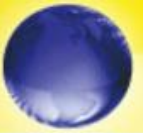
# The Status of AEOI Commitments

## JURISDICTIONS UNDERTAKING FIRST EXCHANGES IN 2017 (50)

Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus\*, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, United Kingdom

## JURISDICTIONS UNDERTAKING FIRST EXCHANGES IN 2018 (51)

Andorra, Antigua and Barbuda, Aruba, Australia, Austria, The Bahamas, Bahrain, Barbados, Belize, Brazil, **Brunei Darussalam**, Canada, Chile, China, Cook Islands, Costa Rica, Curaçao, Dominica, Ghana, Grenada, Hong Kong (China), **Indonesia**, Israel, Japan, Kuwait, Lebanon, Marshall Islands, Macao (China), **Malaysia**, Mauritius, Monaco, Nauru, New Zealand, Niue, Pakistan\*\*, Panama, Qatar, Russia, Saint Kitts and Nevis, Samoa, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, **Singapore**, Sint Maarten, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Vanuatu



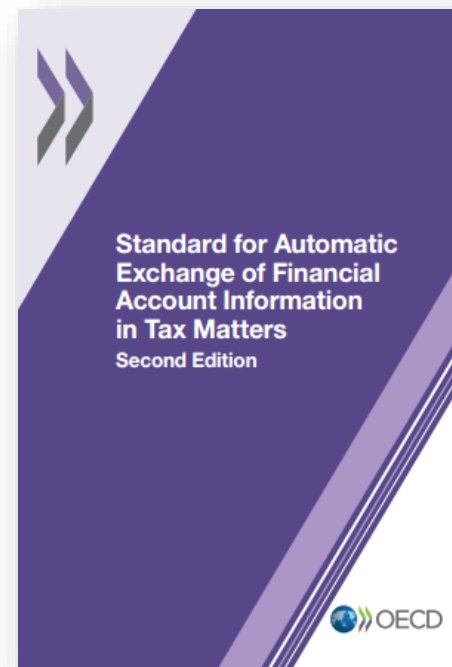
# Global Forum Role





## AEOI-Implementation Progress

- Information is already being collected and reported by financial institutions to tax authorities ready for exchange – virtually **complete delivery** by all those exchanging information in 2017.
- The necessary **domestic legislative framework** has been put in place in most jurisdictions: **85%** of jurisdictions – full delivery, with a further **5%** having it partially in place. The work is ongoing.
- A large number of **international legal relationships** have already been activated, including widespread exchange networks for all those exchanging this year.
- A Common Transmission System **has been built** and the jurisdictions exchanging this year **are currently linking up** to it.





## AEOI-Next Steps

- Monitoring delivery of commitments
- Reviewing the key building blocks of implementation
- Providing assistance to all jurisdictions in implementing AEOI
- Supporting developing countries to engage in and benefit from AEOI
- Developing Terms of Reference and Methodology for comprehensive reviews



# ASEAN +3 countries at the Global Forum

ASEAN members	Members of the GF?	EOIR rating	AEOI commitment
Brunei Darussalam	Yes	Largely Compliant	Yes, 2018
Cambodia	–	–	–
Indonesia	Yes	Partially Compliant	Yes, 2018
Lao PDR	–	–	–
Malaysia	Yes	Largely Compliant	Yes, 2018
Myanmar	–	–	–
Philippines	Yes	Largely Compliant	Not asked to commit
Singapore	Yes	Largely Compliant	Yes, 2018
Thailand	Yes	To be reviewed in 2020	Not asked to commit
Viet Nam	–	–	–
China*	Yes	Compliant	Yes, 2018
Korea*	Yes	Compliant	Yes, 2017
Japan*	Yes	Compliant	Yes, 2018





## AEOI and developing countries

- Developing countries may have different capacities
- **BUT:** each country needs to have access to the modern administrative practices in the light of the Addis Tax Initiative
- Potential benefits for developing countries are significant, including revenue mobilization through stronger tax enforcement and preventive effect which creates enhanced protection against tax evasion and illicit financial flows (e.g. evidence suggests that the reporting of foreign assets and accounts significantly increases)
- Therefore, the Global Forum is carrying out work to make sure that developing countries are not left out as



# Building blocks for AEOI

## 1. Domestic legislation

The reporting requirements

## 2. Administrative and IT capacity

To obtain, process, send and use the information

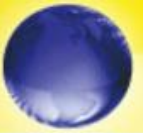
**The Standard**

## 3. International agreements

The legal basis for exchange

## 4. Confidentiality and data safeguards

To protect the information



# Importance of AEOI

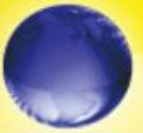
Detection of  
tax evasion  
and offshore  
wealth

Deterrence  
from future  
non-  
compliance

Support  
domestic  
synergies

Enhance  
reputation

**AEOI complements EOIR on request**



## Cost-Benefit Analysis

- Costs associated with putting in place the required legislative, operation and IT framework
- Maintenance, enforcement and processing costs to ensure that the accurate information is received and used effectively
- Compliance costs for financial institutions associated with reporting obligations

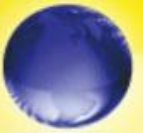




## Cost-Benefit Analysis

- Boosted tax revenues which will become available to supply public goods and services
- Enhanced capacity of tax administration to enforce tax laws in the era of mobile capital
- Greater economic efficiency and fairness of the distribution of tax burden as the tax system is less susceptible to the abusive behaviour of taxpayers
- Strengthened public confidence in the fairness of the tax system
- Higher level of tax compliance





# Impact of Tax Cooperation

## Example: Enhanced effectiveness of voluntary disclosure programmes

- Approximately **500,000** individuals disclosed offshore assets worldwide,
- Some **EUR 85 billion** in additional tax revenue has been collected following voluntary compliance mechanisms and offshore investigations







# Challenges

- Lack of awareness of benefits and costs
- Lack of political will
- Costs of implementation
- Capacity and skill building



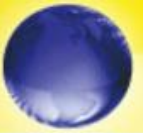
# Ongoing work

## a. Responding to the expressions of interest

- ❑ If the interest is communicated to the Secretariat, the jurisdiction is provided with TA, including advice on how to identify a realistic time for first exchanges
- ❑ The need to address risks associated with confidentiality and data safeguards plays a central role in the process



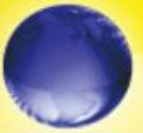
**Ghana** – committed to 2018, **Albania** – 2020; **Azerbaijan and Pakistan** are willing to commit to 2018, **Kazakhstan** to 2019, **Cameroon** and **Senegal** to 2020 and discussions are taking place with other countries



## Ongoing work

### **b. Facilitating developing countries access to the benefits from AEOI**

- ❑ By building awareness through induction programmes for new members and dedicated trainings (e.g. Qatar, Bahrain, Kuwait, Pakistan, St Lucia, The Philippines)
- ❑ By prioritising ISM / confidentiality support
  - ❑ Implementing ISM through secure AEOI perimeter
  - ❑ Working to establish a practicable timetable



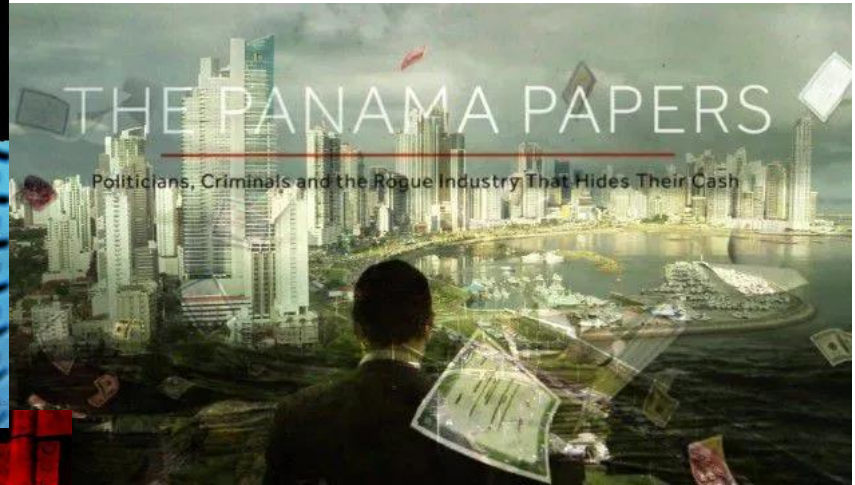
# Ongoing work

## c. AEOI Pilot Projects

- ❑ Endorsed by the G20 and led by the GF Secretariat working with the WBG and members
- ❑ Peer-to-peer knowledge transfers to support developing countries in implementing and benefiting from AEOI in a timely manner
- ❑ Five ongoing projects: **Albania** (with Italy), **Pakistan** and **Ghana** (with the UK) **the Philippines** (with Australia), and **Morocco** (with France). One more is about to begin



# Tax Transparency- continued political attention



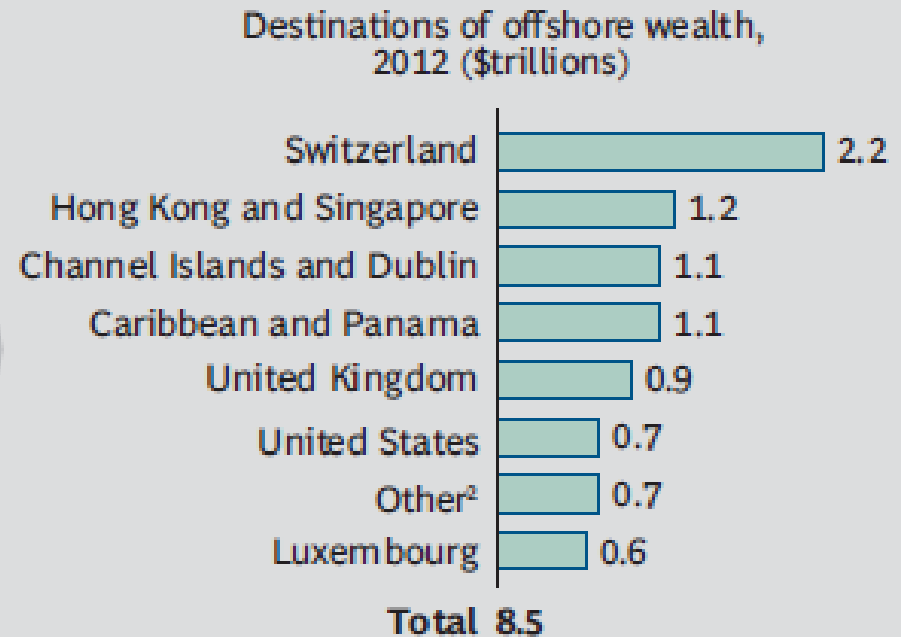
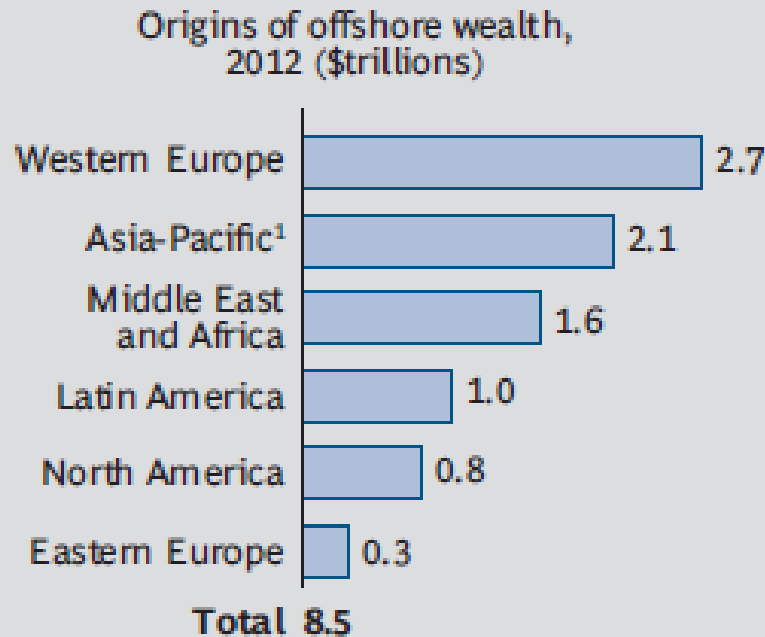
## OFFSHORE LEAKS







# The Algebra of Offshore Assets



Source: BCG Global Wealth Market-Sizing Database, 2013.

Note: Discrepancies in totals reflect rounding. Offshore wealth is defined as assets booked in a country where the investor has no legal residence or tax domicile.

<sup>1</sup>Including Japan.

<sup>2</sup>Includes Dubai and Monaco.





THANK YOU