

## Information Sheet No. 68

### Automatic Exchange of Information

#### Introduction

Automatic Exchange of Financial Account Information will be made as from 2017 on an annual basis between participating countries for tax residents, or even in certain cases domicile persons, of each other. The first exchange of 2017 will relate to all account information of 2016. Reporting involves individuals who own or control accounts in financial institutions either directly or through companies, trusts, foundations and in certain cases insurance policies.

The initiative of the Automatic Exchange of Information (AEI) has been developed and published by the Organisation for Economic Cooperation and Development (OECD) and the G20 and has now become a Global Common Reporting and Due Diligence Standard (CRS). So far, around 100 countries are committed in implementing and applying this Standard. The main aim is to tackle tax evasion even harder.

#### How does the AEI work?

The AEI is facilitated by having financial institutions in each participating country collecting and reporting to their local tax authorities tax relevant information about their clients who are resident in another participating country. In turn, the local tax authorities automatically exchange this information on an annual basis with their counterpart in the participating countries.

In order to facilitate this, each country will need to translate the requirements of the CRS into local law. Furthermore, in order for two participating countries to be able to apply the CRS with each other, they must have an intergovernmental agreement to this effect, for which there is a model convention provided by the OECD. Notably, over 85 countries have already signed a multilateral agreement, thereby automatically enabling the AEI mechanism between them.

**Financial institutions** include but are not limited to banks, brokers, collective investment vehicles, custodians and insurance companies.

**Account information to be reported** generally includes account number, account balances and gross earnings in respect of any payments through the account, including but not limited to any investment income such as dividends or funds from insurance companies, income earned from assets and sale profits from financial assets. However, the exact nature of information to be exchanged between each participating country needs to be defined in the intergovernmental agreement between the two countries.

**The information on each reportable person** generally includes name, address, country of residence, national insurance and tax identification numbers, place and date of birth. Financial institutions will need to disclose not only the account holder but also any beneficial owners, controlling persons or even sometimes relevant persons of entities and trusts.

#### Data Protection

Data protection is critical and the OECD specifies clear requirements on confidentiality and data safeguards. These need to be in place in participating countries. For example, tax authorities receiving



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information through the AEI process are not allowed to share it with other governmental institutions. If the specified rules on data protection are not met, then a country may refuse to exchange data with that other participating country.

**Early adopter countries – undertaking first AEI by 2017 in respect of 2016 information**

Anguilla, Argentina, Barbados, Belgium, Bermuda, Bulgaria, British Virgin Islands, Cayman Islands, Colombia, Croatia, Curacao, Cyprus, Czech Republic, Denmark, Dominica, 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, Mauritius, Mexico, Montserrat, Netherlands, Niue, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Trinidad and Tobago, Turks and Caicos, United Kingdom.

**Late adopter countries – undertaking first AEI by 2018 in respect of 2017 information**

Albania, Andorra, Austria, Antigua and Barbuda, Aruba, Australia, Bahamas, Belize, Brazil, Brunei Darussalam, Canada, Chile, Costa Rica, China, Ghana, Grenada, Hong Kong, Indonesia, Israel, Japan, Macao, Malaysia, Marshall Islands, Monaco, New Zealand, Qatar, Russia, Saint Kitts & Nevis, Samoa, Saint Lucia, Saint Vincent, Saudi Arabia, Singapore, Saint Marten, Switzerland, Turkey, Uruguay, United Arab Emirates.

**Countries that have indicated interest but without commitment yet**

Bahrain, Cook Islands, Nauru, Panama, Vanuatu.

*NOTE: Although the **USA** is not a participating country on this AEI process, information about US tax residents is automatically exchanged towards the USA through FATCA that is already being complied by most countries.*

**NOTES:**

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. P.G. Economides & Co Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.

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