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OECD publishes new standard on automatic information exchange

The OECD has published a new standard on the automatic exchange of information between tax authorities. This is complemented by a model competent authority agreement drafted as a bilateral treaty between two states.

At the request of the G20 leaders, the OECD has drafted a new standard for the automatic exchange of information between states on accounts held by financial institutions in the one state on behalf of residents of the other. The standard is complemented with a model text for a bilateral agreement between the two competent authorities (competent authority agreement – CAA). The guiding principles are that the competent authority of each state should gather all relevant information during a calendar year and then pass it to the competent authority of the other state by September 30 of the following year. The information to be gathered includes investment income of all types, account balances and sale proceeds. Banks and other financial institutions affected (such as brokers and insurance companies) must observe due diligence procedures with respect to their customers. These include satisfying themselves as to the country of residence of each customer. If a customer has homes in more than one country the information is to be passed to all competent authorities potentially interested. Financial institutions must also identify the beneficial owners of income or assets passed through trusts or similar vehicles, in particular, with taxpayers in view who are prepared to tax the income, but who seek to hide the principal.

Some forty countries have already undertaken to adopt the new standard. These include Liechtenstein, Cyprus and the generally known UK tax havens, but not Switzerland or Austria.

Keywords

competent authority, exchange of information, information exchange