

# Sharing Best Practices on Automatic Exchange of Information

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Policy Submission to Ministry of Finance

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Centre for Budget and Governance Accountability  
([www.cbgaindia.org](http://www.cbgaindia.org))

## Subject: Sharing a Few Best Practices on Automatic Exchange of Information for Tax Purposes

### Context

We heartily congratulate India's decision to become an early adopter of the new global standard for Automatic Exchange of Information (AEOI). This is a powerful new weapon in the fight against tax evasion, and will help preserve and generate revenues to support vital public services.

We are aware that the legislation to enable AEOI may be imminent, and that there are some varied approaches being taken around the world. We are writing to you to highlight some of the best practices regarding AEOI, which you could please take into account while formulating the legislation that will enable AEOI to be implemented. These suggestions are meant to help you ensure that AEOI is implemented without much difficulty and that it encourages all jurisdictions to join the global standard, instead of creating new tax havens.

#### 1. Collecting information on residents from all jurisdictions

The first issue is the necessity to collect information on residents from all jurisdictions (the 'wider approach' suggested by the OECD) and to send it to authorities, rather than to do it only for those jurisdictions that are currently signed up to AEOI. Taking this approach has many benefits:

- a. It is simpler for all: Financial institutions treat all account holders in the same way, and all information is passed onto the authorities. The authorities do not need to keep updating lists / guidelines / legislation to require information from residents of new countries to be collected and/or submitted.
- b. It makes the integration of new countries easier: If all the necessary information is already collected, integrating new countries into the AEOI standard will be able to be easily effected, with data immediately available. The alternative would lead to an undesirable lag in data becoming available.
- c. It will enable research and analysis to be done on the size, composition and changes in the offshore financial markets. (Refer to point 2 below.)

Several countries in their implementing legislation have taken this approach<sup>1</sup>. It is also clear that the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes implicitly recommends this approach, as in its roadmap for the G20, it suggests that countries could share aggregate data on developing country residents' assets<sup>2</sup>; it would of course be impossible to do this if information is not collected on residents of all jurisdictions. However, it will be of little use if financial institutions keep it to themselves. They should be required to send all data to authorities.

The European Commission Expert Group on Automatic Exchange of Financial Account Information, which consists of a range of representatives from financial institutions and civil society across the European Union, has also recommended taking such an approach<sup>3</sup>.

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<sup>1</sup> For countries taking the wider approach, see table at <http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/#d.en.345489>

<sup>2</sup> <http://www.oecd.org/tax/transparency/global-forum-AEOI-roadmap-for-developing-countries.pdf> para 74-77

<sup>3</sup> See [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/tax\\_cooperation/mutual\\_assistance/financial\\_account/firts\\_report\\_expert\\_group\\_automatic\\_exchange\\_financial\\_information.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/tax_cooperation/mutual_assistance/financial_account/firts_report_expert_group_automatic_exchange_financial_information.pdf) recommendation 2

## 2. Collating and publishing aggregate statistics

There is a lack of high quality data on the size and composition of the offshore financial markets; as a result, estimates on the size of offshore assets alone range from \$7-\$32 trillion. There is a clear need to improve the statistics and enable better research. If information is collected for all account holders, the data would be available for authorities to aggregate it into “totals” by country of residence, without identifying any individual or entity account holder (and so would not cause any concern over confidentiality), but would be able to show, for example, the size of assets and number of accounts held by residents from each jurisdiction in the world.

Such data would enable a much better understanding of the size and composition of offshore finance, and how it changes over time, revealing avoidance schemes and other strategies to avoid reporting of information. This is important, as monitoring the impact of AEOI is vital to ensure its success. The potential benefits of such statistics have been highlighted by the European Commission Expert Group<sup>4</sup>.

These are small measures that are easy to incorporate into legislation, yet can have a significant impact on the success of the new global standard of AEOI, making it easier for financial institutions, as well as new and existing country members of the standard. We hope you would consider the desirability of these issues in the context of India’s legislation.

For further information on these issues, please contact us at: [subrat@cbgindia.org](mailto:subrat@cbgindia.org) or [neeti@cbgindia.org](mailto:neeti@cbgindia.org) (or at 011-4920 0400 / 401 / 402).

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<sup>4</sup> See

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/tax\\_cooperation/mutual\\_assistance/financial\\_account/firts\\_report\\_expert\\_group\\_automatic\\_exchange\\_financial\\_information.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/tax_cooperation/mutual_assistance/financial_account/firts_report_expert_group_automatic_exchange_financial_information.pdf) recommendation 10