



Global Forum on Transparency and Exchange of Information for Tax Purposes

April 2015

Automatic Exchange of Information: Pilot Project Outline



Overview

1. In September 2014, the G20 Finance Ministers and Central Bank Governors asked the Global Forum, working with the World Bank Group and other organisations, to implement pilot projects to assist developing countries to implement the new standard on automatic exchange of financial account information for tax purposes.¹

2. For a jurisdiction to effectively engage in AEOI on financial information, it must have in place, as a minimum, four essential components: (i) a legal basis for exchange; (ii) rules that require financial institutions to report information and follow due diligence procedures consistent with the Standard; (iii) administrative and IT infrastructure to collect and exchange information under the Standard and (iv) confidentiality and data safeguards. Each component is critical; therefore all four must be in place. The extent and scale of assistance needed under each heading will vary from country to country depending on the extent to which these components (e.g. legislation, IT capacity, specialised staff) are already in place and the size and composition of the financial sector.

3. It is intended that several pilot projects be undertaken in 2015 and 2016. The pilot projects will employ a step-by-step approach to implementation. The intention is that over time, each developing country participant (the “Pilot country”) would reach full implementation in accordance with the Standard.

4. Pilot projects would be undertaken as a collaborative effort between the Global Forum and other organisations where relevant, the Pilot country and a developed country that has agreed to partner with the Pilot country. As the pilot project progresses, feedback will be regularly sought as to the milestones and role of each participant to ensure that all participants are satisfied with their involvement and the results.

Participants in pilot projects

5. An invitation to participate in a pilot project has been sent to 26 developing country members of the Global Forum.² The partnering developed country (“the Partner”) is also a volunteer. Relevant considerations for such a partnering relationship include the presence of economic relations, cultural ties, regional proximity or a history of other capacity building assistance. In all cases, a legal basis for exchange of information that is automatic and on request must be in force in both jurisdictions.

Outline of steps taken in pilot project

6. The Global Forum Secretariat would prepare an initial questionnaire for the Pilot country to assess its current legal framework, personnel capability and IT infrastructure. This is designed to assist in obtaining an understanding of current capacity, in order to identify the capacity building steps required to reach full implementation of the Standard.

7. Following the initial questionnaire, a more detailed study of the Pilot country would commence in order to give in depth consideration to which areas of capacity building in the tax administration must be addressed in order to fully implement the Standard. The study will examine the legal framework governing the availability and access to information by the tax administration; the nature and sophistication of the

¹ Pilot projects were a key proposal in the Global Forum’s [Roadmap for Developing Country Participation in AEOI](#), which was endorsed by the G20 Development Working Group at its September 2014 meeting.

² Albania, Azerbaijan, Botswana, Burkina Faso, Cameroon, Dominican Republic, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Ghana, Guatemala, Jamaica, Kazakhstan, Kenya, Lesotho, Liberia, Mauritania, Morocco, Nigeria, Pakistan, Philippines, Senegal, Tunisia, Uganda, Ukraine.



financial industry; the availability of information held by financial institutions through anti-money laundering obligations or other law; the existence of current reporting by financial institutions to the tax administration; the legal framework and practice governing confidentiality and data safeguards; the existing information technology capacity in the tax administration; and the experience of tax administration with schema and secure transmission methods. The most effective way to conduct this study will likely be by on-site visit to the Pilot country by the Global Forum Secretariat and, possibly the Partner.

8. Following the preparation of the study, an implementation plan will be developed by the Pilot country (with the input of the Global Forum Secretariat and Partner). The implementation plan will describe the steps required to be taken to achieve implementation, the persons responsible for taking each step, and the timeline for completion. Annexed to this document is a high level outline of the milestones that could be included in an implementation plan. The details of this plan would be agreed and memorialised in writing by all parties to the pilot project.

9. As an optional step, the Partner may provide spontaneous data to the Pilot country. Spontaneously sharing data could be easily achieved where the information was already held by the tax administration, rather than requiring additional collection and reporting by financial institutions. For example, this could be in the form of aggregate data, disclosing that in Partner country's depository institutions, there are 30 accounts held by residents of Pilot Country, the highest account balance being EUR 300 000 and the total account balance being EUR 1.5 million.

10. In each pilot project, after the necessary legal and other changes have been made, the Partner would undertake the first automatic exchanges with the Pilot country. The scope of exchanges need not instantly cover the full scope of information exchange captured by the Standard, but could occur on a more progressive basis to build experience and test the new mechanisms, while eventually reaching full exchanges envisaged under the Standard. That is, although the framework for implementing the full Standard would be built before exchanges occurred, the scope of information being exchanged could be phased in progressively to allow for a "piloting" of the transmissions. For example, a short period of non-reciprocal exchanges may be beneficial (either sending or receiving only as a first step).

11. After automatic information exchanges are occurring effectively, the developing country will be in a position to expand its network of automatic exchange relationships with other jurisdictions.

12. Capacity building efforts relating to the effective use of information in tax compliance efforts could also be undertaken. This may be in the form of training and / or on-site deployment of expert personnel. The efforts of the World Bank Group and other regional tax administration organisations will be particularly relevant here.

Role of Partner country

13. All contributions from partner countries would be on a voluntary, case-by-case basis.

14. In addition to being the first information exchange partner, the Partner country may wish to contribute in a variety of additional ways. As Partner countries are likely to be more advanced in their implementation of the Standard, they may wish to offer technical advice or know-how to the Pilot country. This could include guidance on consultations with financial industry, reviewing draft legislation, advising on IT systems and development and sharing IT solutions, training new personnel, providing an on-site expert consultant, or providing guidance on meeting the confidentiality and data safeguards standards.



15. Individual countries or international organisations may also be in a position to provide funding. This could be particularly helpful to developing countries in respect of any information technology investment required.

Next steps

16. Expressions of interest are welcome from potential Pilot countries and Partners. Following a match of a Pilot with a Partner, an initial questionnaire will be sent to the Pilot countries. Results will be shared with the relevant Partner country. This questionnaire will include some questions intended to capture the effect of the pilot project over time on tax collection.

17. A conference call or face to face meeting will be held with the Global Forum, World Bank Group, Pilot country and Partner country to discuss the proposed approach to the pilot project and to prepare for the conduct of the detailed study.

18. The Global Forum Secretariat will be responsible for co-ordinating the pilot projects between the participants and reporting to the G20 on progress. In this regard, where possible, the reporting on the pilot project would be enhanced (and the deterrent value of automatic exchange of information increased) if the amount of tax collected by Pilot country and Partner as a result of the pilot project could be shared publicly. This would also assist in further increasing the awareness of the benefits of AEOI to other developing countries.



ANNEX: SUGGESTED MILESTONES FOR INCLUSION IN IMPLEMENTATION PLAN

ACTION	RESPONSIBILITY	TIMING
Creation of project team and project management documents		
Training of Pilot country government officials on the Standard		
International agreements: Treaties and Competent Authority Agreement		
Completion of confidentiality and data safeguards questionnaire; advice and recommendations provided		
<i>Spontaneous data exchange (optional)</i>		
Consultation with financial industry in Pilot country		
Draft legislation, regulations and guidance published; further consultations with industry		
New legislation passed		
Confidentiality: further advice on procedures, technology and staff training		
Technology solutions: planning, analysis of business requirements, development		
Financial Institutions report to Pilot country competent authority		
First information exchange between Pilot and Partner		
Additional information exchanges		