Questions and answers on the automatic exchange of financial account information (AEOI)

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Which information is automatically exchanged with the OECD standard?

The information to be transmitted includes account and tax identification numbers as well as the names, addresses and dates of birth of taxpayers abroad with an account in a country other than the country of residence, all types of capital income, sales proceeds from the sale or redemption of financial assets and account balances. The standard covers both natural persons and legal entities. The actual beneficial owners of the account in accordance with the international provisions on combating money laundering (FATF) must be identified in application of the OECD standard and the FATF recommendations.

How is the automatic exchange of information conducted?

Banks, certain collective investment vehicles and certain insurance companies collect financial information on their clients who are resident abroad for tax purposes. Once per year, these financial institutions send the information to their national tax authority, which automatically transmits the information received to the tax authority in the relevant partner country.

What happens with the data that is exchanged?

Client data may be used solely for the agreed purpose, i.e. the correct taxation of taxpayers in this case. However, the standard does not indicate precisely how the national tax authorities are to do this (e.g. spot checks or extensive data reviews). Data protection has to be ensured.

How does the global standard affect the competitiveness of Switzerland's financial centre?

The standard creates a level playing field for the financial centres around the world. For Switzerland, this means that tax-related banking secrecy will no longer apply for clients from abroad. Furthermore, Switzerland will be less vulnerable internationally. As a result, legal certainty will increase and the key strengths of the financial centre, such as neutrality, political and economic stability, own strong currency, high-quality services and international expertise, will be shown to greater advantage. Competitiveness should be boosted on the whole.

How will compliance with the global standard be monitored in the future?

The Global Forum on Transparency and Exchange of Information for Tax Purposes, which has over 130 member states, will conduct peer reviews to check whether countries apply the standard correctly. Irrespective of this, a country can suspend the exchange of information if the partner state does not comply with the right conditions.

When will Switzerland introduce the AEOI?

In line with the commitment made by Switzerland at the international level, Swiss financial institutions will start to collect the account data of taxpayers abroad in 2017. The first exchange of data with a wide range of partner states and territories will take place in 2018.

With what countries has Switzerland currently agreed to enable the AEOI?

The State Secretariat for International Financial Matters keeps an updated list of the countries and territories with which Switzerland has concluded agreements on the automatic exchange of information.

With what other countries and territories will Switzerland sign agreements?

Switzerland intends to conclude AEOI agreements with other countries and territories that meet the implementation prerequisites, particularly with respect to confidentiality. Talks are currently under way. In this respect, the Federal Council attaches great importance to ensuring a level playing field among countries, especially among major financial centres. All agreements that are concluded must be approved by the Swiss Parliament.

Does the AEOI agreement with the EU include all member states?

Yes. The AEOI agreement with the EU applies equally to all member states. Specific agreements with individual EU countries are not necessary. Furthermore, the agreement also applies to the Åland Islands, the Azores, the Canary Islands, French Guiana, Gibraltar, Guadeloupe, Madeira, Martinique, Mayotte, Réunion and Saint-Martin on the basis of internal EU provisions.

How does Brexit affect the introduction of the AEOI with the United Kingdom?

The Brexit vote does not change the fact that the AEOI must be introduced with the United Kingdom by virtue of the agreement with the EU. Once the country's exit has actually taken effect, the AEOI with the United Kingdom will have to be regulated based on applicable multilateral instruments.

With regard to the automatic exchange of information standard, will the United States get preferential treatment in relation to transparency of financial constructs?

The United States has approved the OECD's AEOI standard. This is based on the US FATCA model, which will continue to exist. Consequently, temporary exceptions will apply for the United States for a given period. For example, US financial institutions do not have to identify the beneficial owners of foreign investment companies that have not concluded an agreement as a Foreign Financial Institution (FFI) with the United States and are located in a country that has not concluded a FATCA agreement with the United States. However, the United States will levy a withholding tax of 30% on the gross amount of all revenue and sales proceeds from US securities.

For how long will the United States be allowed such an arrangement?

Faced with increasing criticism from the international community, the United States announced at the G20 meeting in April 2016 that it would adopt internal measures in the near future to eliminate certain loopholes and make certain constructs in the United States less attractive.

The Global Forum was given the mandate of assessing the correct application of the Common Reporting Standard (CRS) by its members. From 2019 on, it will conduct peer reviews that will produce ratings. The loopholes mentioned above will have an impact on the rating. Switzerland participates actively in the Global Forum's work and will thoroughly check if other countries, particularly competing financial centres, are complying fully with the standard.

What does Switzerland get in return for automatically exchanging information with countries with which it has signed an AEOI agreement?

The AEOI agreement is reciprocal, which means that the partner states and territories and Switzerland have the same undertakings towards one another. The Swiss tax authorities will thus receive information automatically on Swiss taxpayers with accounts in a partner state.

The introduction of a global standard may not be formally linked with counter deals. However, the Federal Council strives to initiate talks at the same time with the aim of improving access conditions to cross-border financial service markets.

Moreover, Switzerland strengthens the reputation and integrity of its financial centre by implementing international standards.

The Federal Council negotiation mandate called for improved market access for cross-border financial services following the introduction of the AEOI with partner states. What has been achieved so far?

Switzerland is seeking an easing of market access conditions with the EU and selected partner states with a strong emphasis on reducing prudential requirements, simplifying authorisation processes and/or clarifying the legal situation. The aim is to offer adequate legal certainty for cross-border business transacted from Switzerland.

At the bilateral level, Switzerland and Germany agreed, through an exchange of letters, on improved access to the German market. Switzerland was also able to agree on improvements with Austria and the United Kingdom in the withholding tax agreements with these two countries. Moreover, talks on market access are under way with other EU countries, including France, Italy and Spain, and with non-EU countries such as Japan and Canada.

Furthermore, Switzerland aims to obtain EU recognition of its regulations as equivalent in key areas for the financial sector and in areas where the EU has made provision for equivalence processes. In this way, companies from third countries such as Switzerland can benefit from regulatory easing in certain areas and maintain EU market access. In 2015, the European Commission confirmed that Swiss regulation in the insurance sector was in line with its own directive (Solvency II). In addition, it recognised that Switzerland's supervisory regime for central counterparties was equivalent to the relevant provisions of EU law. Other procedures are under way or are being prepared, particularly in the areas of funds, services for professional investors, trading platforms and derivatives trading.

How will Switzerland use data on Swiss taxpayers with accounts abroad that it receives within the scope of the reciprocal exchange of information?

The domestic use of data received from abroad is up to the individual countries. Given that the cantonal or communal tax administrations are responsible for tax assessments in Switzerland, the Federal Tax Administration (FTA) will forward the financial information received from abroad to the competent assessment authorities for the application and enforcement of Swiss tax law.

Does the global standard for the AEOI apply domestically as well?

No. The international standard governs only the international exchange of client data for tax authorities. Transparency within the states will continue to be determined by the states themselves.