

Automatic Exchange of Information in Tax Matters (AEI)

Questions and Answers

What is the content of AEI?

The Organisation for Economic Co-operation and Development (OECD) and G20 developed the Regulatory framework (Common Reporting Standard; CRS) with the input of other jurisdictions and in consultation with the financial industry.

The Standard requires financial institutions to report information on accounts held by non-resident individuals and entities (including trusts and foundations) to their local tax administration. The local tax administration then transmits the information to the account holders' countries of tax residence on an annual basis. The Standard specifies the financial account information to be exchanged, the financial institutions that need to report, and the different types of accounts and taxpayers covered. To capture a wide range of information, the Standard requires not only deposit-taking banks to report, but also custodial institutions, certain investment entities, and certain insurance companies. The type of account information to be reported on includes account balances, interest, dividends, and sale and redemption proceeds from financial assets.

In order to ensure that the information is accurate and complete, the Standard also specifies the information gathering procedures to be followed by financial institutions, and these procedures draw on the existing international anti-money laundering standards.

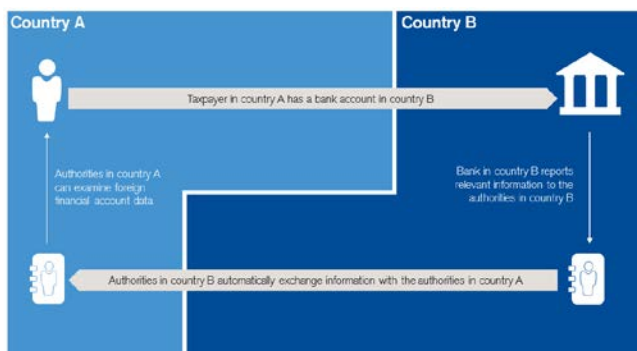
How does AEI work?

AEI can be separated into three major steps:

1. Financial institutions in participating countries gather tax-relevant information about their clients.
2. Financial institutions report tax-relevant information with respect to clients resident in another country participating in AEI to the local tax authorities.
3. The local tax authorities exchange the information with their counterpart in the participating countries.

The tax information data exchange is based on a reciprocal right between the participating countries. However, compared to other international tax regimes, financial institutions are not involved in the tax collection process (i.e. there is no tax calculation and therefore no withholding obligation under AEI).

Moreover, a prerequisite for the application of AEI with a specific country is that criteria such as the principle of specialty, data protection and minimum standards with regard to the rule of law are met.



Who is affected by AEI?

Generally, all clients are within the scope of AEI, individuals as well as entities. If a client domiciled in one country has booked assets in another country, the client is subject to AEI (e.g. a UK domiciled person has assets booked in Switzerland). A different case is a client where all booked assets and the domicile are located in the same country (e.g. a UK domiciled person has assets booked in London). In general AEI is not relevant for such clients.

What is the timeline of the AEI?

The AEI standard will be implemented globally; approximately 100 countries have already committed to implementing this initiative.

The so-called "Early Adopter" countries have committed to require financial institutions to apply the enhanced due diligence procedures by January 1, 2016. The "Early Adopters" will first exchange information with their partner countries in 2017 with respect to data collected as of January 1, 2016 until December 31, 2016. A detailed list of all "Early Adopter" countries is available on the OECD homepage

(<http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>). Besides the "Early Adopter" countries, other countries such as Switzerland have decided to adopt the AEI procedures starting one year later in January 2017. Consequently, the first exchange of information will be due in 2018 with respect to data collected as of January 1, 2017 until December 31, 2017.

What information will be exchanged under AEI?

Where an account needs to be reported under AEI, the following information is provided to the client's tax authorities of residence:

- Data permitting the unique identification of the natural person or legal entity (e.g. name, taxpayer identification number, date of birth, etc.) and
- Data about the client's revenues and assets (e.g. account number, gross earnings, etc.).

However, the exact information to be exchanged needs to be defined in the intergovernmental agreement between the two countries. Not only the account holder but also any beneficial owners and additionally the controlling persons of an entity (especially trusts) will need to be disclosed. Where an account has several beneficial owners, all relevant tax information is reported to every single tax domicile country of the different beneficial owners. The "controlling person" is a newly introduced term under AEI: controlling persons are always natural persons who exercise control over an entity (e.g. in the case of a trust, the trustee and all other relevant persons).

How secure is the exchange of data under AEI?

Data protection is a key element of AEI. Therefore, the OECD has defined detailed rules on confidentiality and data safeguards, which need to be in place both on a legal and operational level in order to allow a country to apply AEI. The local tax authorities are not allowed to share the received information with other local governmental institutions. A country is able to refuse the data delivery to its partner country if the rules defined by the OECD are not met.

How will AEI affect Swiss banking confidentiality?

At global level, the international AEI standard will ensure a level playing field for all financial centers. For Switzerland, the introduction of AEI means that banking confidentiality for tax purposes will no longer apply to clients based in a country that is subject to AEI after the implementation of the standard. By contrast, domestic banking confidentiality for clients domiciled in Switzerland will not be affected by the implementation of the new standard. The possibility of introducing AEI domestically is currently the subject of political debate within Switzerland.

How is AEI coordinated with other regulatory regimes?

AEI replaced the EU savings taxation (end of March 2017) and the final withholding tax agreements (January 1, 2017) in the EU. Other regulatory withholding and transaction tax regimes e.g. French Financial Transaction Tax will remain.

What is Credit Suisse's position towards AEI?

Credit Suisse is in favor of the AEI as global standard and has long been following a strategy of tax compliance and supports all measures which help to ensure that the funds received by clients are taxed. Moreover, Credit Suisse has set up a global program to implement the AEI standard in all of its booking centers and client-facing entities.

Can Credit Suisse advise on a client's situation with respect to AEI?

The Bank is not allowed to provide legal or tax advice. If you as the client have any questions about the determination of the jurisdiction(s) of residence for tax purposes and the entity classification, the bank is obliged to refer you to a tax or legal advisor.

Further information

- Websites:
 - www.credit-suisse.com/aei
 - OECD: www.oecd.org
 - CH only: www.sif.admin.ch