

# BEPS ALERT

Briefings on Base Erosion and Profit Shifting (Tax)

## Automatic exchange of information – a new global standard

*The recent publication of the 'Common Reporting Standard' is a major step towards a globally coordinated approach to the disclosure of financial account information and is a key component of international efforts to clamp down on tax evasion.*

We reported in [February 2014](#) that the Organisation for Economic Co-operation and Development (OECD) had released details of the *Common Reporting Standard* which is intended to become the new global standard for the automatic exchange of financial information. The G20 Finance Ministers and Central Bank Governors endorsed this at their meeting in February.

On 21 July 2014 (and following the approval of the OECD Council), the OECD published the first edition of the Common Reporting Standard, [Standard for Automatic Exchange of Financial Account Information in Tax Matters](#) ("the Standard"). It comprises three parts and seven annexes, and includes commentary and guidance for the effective implementation of the Standard by governments and financial institutions, detailed model agreements, as well as standards for technical and information technology solutions.

The Standard was developed at the request of the G20, which wanted a global standard for the automatic exchange of financial account information. It complements the draft model published by the OECD in February 2014 and provides for the annual automatic exchange of financial account information between governments, including balances, interest, dividends, and sales proceeds from financial assets, reported to governments by financial institutions. It also covers accounts held by individuals and entities, including trusts and foundations. The OECD will formally present the Standard to G20 Finance Ministers at their next meeting in Cairns, Australia in September 2014.

The Standard comprises three sections:

- Part I: An introduction to the Standard
- Part II: The text of the Model Competent Authority Agreement (Model CAA) and the Common Reporting and Due Diligence Standard (CRS)
- Part III: The Commentaries on the Model CAA and the CRS, as well as a number of Annexes.

The Commentaries in Part III are designed to ensure the consistent application and operation of the Standard, and provide more details on obligations that will be demanded of financial institutions. The publication of the Commentaries is well-timed as some financial institutions will be required to implement the Standard from 1 January 2016. The first exchanges of information will commence by the end of September 2017.

The initiative has considerable political support, and by April 2014, over 40 ‘early adopter’ jurisdictions had announced their intention to adopt the Standard and follow the ambitious timeline referred to above. Further political support was forthcoming at the OECD Ministerial Council Meeting (May 2014) with the adoption of the [Declaration on Automatic Exchange of Information in Tax Matters](#), which included a call on all financial centres to implement the Standard without delay.

Apart from the 34 OECD member countries, the above declaration was also subscribed to by Argentina, Brazil, the People’s Republic of China, Colombia, Costa Rica, India, Indonesia, Latvia, Lithuania, Malaysia, Saudi Arabia, Singapore, South Africa, the European Union and Andorra.

Over 65 jurisdictions, including all the G20 members, have publicly committed to implementing the Standard, and more are expected to follow before or during the October meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes. It is particularly significant that Switzerland is included in this list, given its status as a wealth management centre.

Hong Kong has neither adopted the Standard nor has it agreed to exchange information on an automatic basis. Under current legislation, relevant tax information is only supplied by Hong Kong upon specific and valid requests received from the competent authority of a tax agreement partner. The government made it clear in early 2014 that its current policy is not to exchange information on either an automatic or spontaneous basis.

It is likely that in light of the vast and increasing global political support for the Standard, Hong Kong will come under increased pressure to adopt and implement the Standard in the near future.

This will, however, require the government to adopt legislation that provides for a legal framework for the automatic exchange of information. Furthermore, specific administrative resources will be required for the effective, practical implementation of the Standard.

## Contact us:

**Khoon Ming Ho**  
Partner in Charge, Tax  
China and Hong Kong SAR  
Tel: +86 10 8508 7082  
khoonming.ho@kpmg.com

**Ayesha M. Lau**  
Partner in Charge, Tax  
Hong Kong SAR  
Tel: +852 2826 7165  
ayasha.lau@kpmg.com

### Corporate Tax

**Charles Kinsley**  
Principal  
Tel: +852 2826 8070  
charles.kinsley@kpmg.com

**Chris Abbiss**  
Partner  
Tel: +852 2826 7226  
chris.abbiss@kpmg.com

**Stanley Ho**  
Principal  
Tel: +852 2826 7296  
stanley.ho@kpmg.com

**Alice Leung**  
Partner  
Tel: +852 2143 8711  
alice.leung@kpmg.com

**Curtis Ng**  
Partner  
Tel: +852 2143 8709  
curtis.ng@kpmg.com

**John Timpany**  
Partner  
Tel: +852 2143 8790  
john.timpany@kpmg.com

**Matthew Fenwick**  
Director  
Tel: +852 2143 8761  
matthew.fenwick@kpmg.com

**Ivor Morris**  
Director  
Tel: +852 2847 5092  
ivor.morris@kpmg.com

**Michael Olesnick**  
Special Advisor  
Tel: +852 2913 2980  
michael.olesnick@kpmg.com

**Justin Pearce**  
Senior Tax Advisor  
Tel: +852 2143 8756  
justin.pearce@kpmg.com

### China Tax

**Karmen Yeung**  
Partner  
Tel: +852 2143 8753  
karmen.yeung@kpmg.com

**Christopher Xing**  
Partner  
Tel: +852 2978 8965  
christopher.xing@kpmg.com

**Daniel Hui**  
Principal  
Tel: +852 2685 7815  
daniel.hui@kpmg.com

**Adam Zhong**  
Principal  
Tel: +852 2685 7559  
adam.zhong@kpmg.com

**Steve Man**  
Director  
Tel: +852 2978 8976  
steve.man@kpmg.com

### M & A Tax

**Darren Bowdern**  
Partner  
Tel: +852 2826 7166  
darren.bowdern@kpmg.com

**Benjamin Pong**  
Principal  
Tel: +852 2143 8525  
benjamin.pong@kpmg.com

**Yvette Chan**  
Director  
Tel: +852 2847 5108  
yvette.chan@kpmg.com

**Malcolm Prebble**  
Director  
Tel: +852 2685 7472  
malcolm.prebble@kpmg.com

### Transfer Pricing

**John Kondos**  
Partner  
Tel: +852 2685 7457  
john.kondos@kpmg.com

**Kari Pahlman**  
Principal  
Tel: +852 2143 8777  
kari.pahlman@kpmg.com

### International Executive Services

**Barbara Forrest**  
Principal  
Tel: +852 2978 8941  
barbara.forrest@kpmg.com

**Murray Sarelius**  
Partner  
Tel: +852 3927 5671  
murray.sarelius@kpmg.com

**David Siew**  
Partner  
Tel: +852 2143 8785  
david.siew@kpmg.com

**Kate Lai**  
Director  
Tel: +852 2978 8942  
kate.lai@kpmg.com

### US Tax

**Wade Wagatsuma**  
Partner  
Tel: +852 2685 7806  
wade.wagatsuma@kpmg.com

### Indirect Tax

**Lachlan Wolfers**  
Partner  
Tel: +852 2685 7791  
lachlan.wolfers@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2014 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. © 2014 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.