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The
G7 Research Group
at the Munk School of Global Affairs at Trinity College in the University of Toronto
presents the

2015 Schloss Elmau G7 Summit Final Compliance Report

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"We have meanwhile set up a process and there are also independent institutions monitoring which objectives of our G7 meetings we actually achieve. When it comes to these goals we have a compliance rate of about 80%, according to the University of Toronto. Germany, with its 87%, comes off pretty well. That means that next year too, under the Japanese G7 presidency, we are going to check where we stand in comparison to what we have discussed with each other now. So a lot of what we have resolved to do here together is something that we are going to have to work very hard at over the next few months. But I think that it has become apparent that we, as the G7, want to assume responsibility far beyond the prosperity in our own countries. That's why today's outreach meetings, that is the meetings with our guests, were also of great importance."

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015

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5. Financial Regulation: Automatic Exchange of Tax Information

"We commit to strongly promoting automatic exchange of information on cross-border tax rulings."

2015 Elmau Leaders' Communiqué

Assessment

	Lack of Compliance	Work in Progress	Full Compliance
Canada			+1
France			+1
Germany			+1
Italy		0	
Japan		0	
United Kingdom			+1
United States		0	
European Union			+1
Average	+0.63		

Background

As early as the 1996 Lyon Summit, taxation issues have received notable attention from the G7/8. At Lyon, the G7 leaders recognized the need for harmonizing tax policies across borders to strengthen international tax co-operation and meet with new tax challenges posed by globalization. Since then, the G7/8 has made significant progress on promoting cross-border tax information exchange. At the 2013 Lough Erne Summit, the G8 leaders proclaimed their "[commitment] to establish the automatic exchange of information (AEOE) between tax authorities as the new global standard." The leaders also acknowledged the work that the Organization for Economic Cooperation and Development (OECD) had undertaken in developing a multilateral tax information exchange model and pledged to "work with" the OECD to promote this measure. The G8 leaders also called "on all jurisdictions [including developing countries] to adopt and effectively implement this new single global standard at the earliest opportunity."

The Brussels Summit in 2014 reaffirmed the G7 leaders' support for the "new single global standard for automatic exchange of tax information" but did not add significant depth to this commitment. At the 2015 Elmau summit, the G7 leaders retained much of the content and phrasing used in the previous summits but made notable progress by setting a deadline for its implementation of "the end of 2017 or 2018" and specifying that the new international standard was to be implemented by "all financial centres" while urging other jurisdictions to adopt the standard.

Commitment Features

The 2012 OECD report defines automatic exchange of tax information as involving "the systematic and periodic transmission of "bulk" taxpayer information by the source country to the residence country concerning various categories of income (e.g., dividends, interest, royalties, salaries, pensions, etc.)." This new system is designed to assist the tax authority of a taxpayer's country of residence in verifying the accuracy of taxpayers' reported foreign source income, thus minimizing the possibility of international tax evasion. Participating jurisdictions that implement the new system send and receive pre-agreed information each year, without having to send a specific request.

The commitment outlined in the 2015 Elmau G7 Leaders' Communiqué aims to promote and ultimately implement AEOI of cross-border tax information as the new international standard as part of their effort to create "a fair and modern international tax system." Given that the overarching goal includes the implementation of the new system by "all financial centres," not restricted to just the G7 countries, full compliance requires member countries to both adopt the new system and take active actions to promote it.

Adoption may include announcing a legal act to regularly disclose tax information to an international body, signing into a legally binding international agreement regulating aeio, or being engaged in transferring tax information to a foreign country to assist the latter's tax authority in conducting tax accounting,

Promoting the new exchange system requires member country to take active steps to encourage, persuade, or capacitate another country to adopt the new standard. This may include amending bilateral or multilateral tax treaties, providing assistance in the tax collection and/or tax information management of another country, or holding training events to assist other jurisdictions to implement the new standard.

While related, measures targeted at dealing with tax avoidance and evasion are not part of this commitment. Measures taken by member states must also specify that they are aimed at increasing sharing of cross-border tax information which means that they must be bilateral or multilateral in nature. Announcing a more transparent domestic tax reporting system does not sufficiently meet the requirement of the commitment.

In summary, full compliance requires both adoption and promotion of automatic cross-border tax information exchange. If a member only fulfills either one of the required actions above, it is awarded partial compliance.

Scoring Guidelines

−1	Member has neither adopted NOR promoted automatic cross-border tax information exchange.
0	Member has only adopted OR promoted automatic cross-border tax information exchange but not both.
+1	Member has adopted AND promoted automatic cross-border tax information exchange.

Lead Analyst: Maria Monica Layarda

Canada: +1

Canada has fully complied with its commitment to promote a standard of automatic exchange of information on cross-border tax rulings.

In September 2015, Canada participated in the meeting of G20 finance ministers and central bank governors. Canada committed to reaffirming its timeline for implementing the Organisation for Economic Co-operation and Development's (OECD) Common Reporting Standard of automatic exchange of information (July 2015) and completing the necessary legislative procedures to implement the system. This furthers the Canadian government's commitment to tax fairness and responsible fiscal management.

Since attending the October 2015 OECD Global Forum on Transparency and Exchange of Tax Information for Tax Purposes, Canada has adopted this standard by committing to the implementation of the Common Reporting Standard by 2017 July in the 2015 Budget. Canada has declared that the first exchange of financial account information in accordance with this standard will take place in September 2018.

After the release of its 2015 budget, Canada attended the 2015 meeting of the Asia Pacific Economic Co-operation (APEC) forum in the Philippines. As an APEC member, Canada reaffirmed its cooperation with the exchange of information, including automatic exchange of financial account information in tax matters.

Canada has also promoted this new exchange system by encouraging and capacitating other countries to adopt the new standard by amending tax treaties with other countries. On 15 June 2015, Canada signed an agreement between Canada and the Cook Islands for the exchange of information on tax matters. By signing this agreement, Canada is continuing its effort with promoting transparency and effective exchange of tax information. This agreement declares mutual exchange of tax information possessed by or accessible to taxation authorities of either jurisdiction. This will allow better administration and enforcement of taxation laws and will help prevent tax evasion. This agreement conforms to the OECD's standard on tax exchange information.

On 16 January 2016, Canada signed an arrangement between the Canadian Trade Office in Taipei and the Taipei Economic and Cultural Office in Canada for the Avoidance of Double Taxation and the Prevention of

Fiscal Evasion with Respect to Taxes on Income. Section 25 of this Arrangement reflects the OECD's standard for the exchange of tax information.

In the OECD's Tax Transparency 2015 report, Canada was listed as being compliant in the areas of availability of information, access to information, and exchange of information. Discussion of the framework and guidance moving toward the implementation of the OECD Common Reporting Standard was mentioned in a 12-month lobbying summary from the Office of the Commissioner of Lobbying of Canada.

Because Canada has acted both to adopt and promote the OECD's standard of automatic exchange of information on cross-border tax rulings, it has been awarded a score of +1.

Analyst: Mia Naylor

France: +1

France has fully complied with its commitment to promote the Organisation for Economic Co-operation and Development (OECD) standard for the automatic exchange of information (AEOI) on cross-border tax rulings.

On 22 September 2015, a special committee on tax rulings met with various finance ministers in the European Union. During this meeting French Finance Minister Michel Sapin expressed support for AEOI on cross-border tax rulings. Sapin also stated that France regarded the new tax regulations as urgent matters and would take active steps to adopt the directive before the end of 2015.

On 28 December 2015, France ratified the OECD Automatic Exchange of Information Agreement.

On 6 October 2015, the Economics and Financial Affairs Council of the European Union reached an agreement on AEOI. The directive will come into effect by 1 January 2017. This directive will require all European Union member states to exchange information automatically on advance cross-border tax rulings. This systemic tax communication among the European Union member states will take place every three months. This new directive will prevent companies from exploiting previously unclear tax rulings. It is also designed to help reduce tax competition among European Union members.

France has also taken active steps to encourage and capacitate other countries to adopt this new standard. It has agreed to meet the OECD standard when exchanging data with Switzerland.

Because of France's work to adopt and promote the OECD's AEOI standard on cross-border tax rulings, France has been awarded a score of +1.

Analyst: Mia Naylor

Germany: +1

Germany has fully complied with its commitment to promote the automatic exchange of information (AEOI) on cross-border tax rulings. It has succeeded in emplacing a legislative framework for the system domestically and taken steps to promote the AEOI among non-signatory jurisdictions.

On 13 July 2015, the Germany launched the Addis Tax Initiative in cooperation with the United Kingdom, the United States, the Netherlands, Ethiopia and Kenya. The initiative assists participating countries to enact reforms that build the fairness, transparency and efficiency of their tax systems. This includes "enabling partner countries take advantage of the progress made on the international tax agenda, such as…tax information exchange including automatic exchange of information (AEoI)."

On 15 July 2015, Germany's federal cabinet "adopted two draft bills that will enable Germany to exchange financial account information in tax matters automatically with other EU member states and non-EU countries from 2017 onwards." The bills set out details for AEOI within Germany and align Germany's EU Mutual Assistance Act with the EU's adoption of the Common Reporting Standard (CRS) in late 2014.

On 18 December 2015, Germany's Bundesrat approved the Law on the Automatic Exchange of Information in Financial Accounts in Tax Matters and on the Amendment of other Acts, implementing into German law the OECD Common Reporting Standard. The legislation, which came into effect on 31 December 2015, obliges Germany to conduct the first exchanges of tax information with EU members and third countries by 31 July 2017.

Germany has implemented domestic legislation to enact the AEOI and promoted it abroad. Therefore, it has been awarded a full compliance score of +1.

Analyst: Jerome Newton

Italy: 0

Italy has partially complied with its commitment to promote the automatic exchange of information (AEOI) on cross-border tax rulings.

On 6 October 2015, the Council of the European Union amended the New Directive irective on administrative cooperation between member states. This directive "requir[es] automatic exchange of information advance tax rulings and advance pricing arrangements between EU Member States." Italy is part of this directive.

The New Directive must be reflected in the national law of European Union members before the end of 2016. This also means that Italy is committed to adopting the new ruling by the stated deadline.

While Italy has fulfilled its commitment to adopt the international AEOI by 2017, it has not taken active steps to encourage other countries to adopt the new tax information exchange system. Italy is therefore awarded a score of 0 for partial compliance.

Analyst: Mia Naylor

Japan: 0

Japan has partially complied with its commitment to promote the automatic exchange of financial account information (AEOI). It has acted to advance the implementation of AEOI but has not taken steps to promote it among non-signatories in a substantive manner.

On 28 January 2016, Japan signed a joint statement with Switzerland expressing a common commitment to begin the automatic exchange of account information in 2017. Japan's Ministry of Finance stated that the statement would contribute to "deepening cooperation in the tax area between Japan and the Swiss Confederation."

This year, Japan has remained on target with its plan to implement AEOI, but has not promoted the adoption of the system elsewhere. Thus, it has been awarded a score of 0.

Analyst: Jerome Newton

United Kingdom: +1

The United Kingdom has fully complied with its commitment to promote the automatic exchange of tax information as agreed at the 2015 Elmau G7 Summit.

On 13 July 2015, the UK launched the Addis Tax Initiative in cooperation with the United States, Germany, the Netherlands, Ethiopia and Kenya. The initiative assists participating countries to enact reforms that build the fairness, transparency and efficiency of their tax systems. This includes, "enabling partner countries take advantage of the progress made on the international tax agenda, such as … tax information exchange including automatic exchange of information." The UK has committed to investing GBP20 million annually to improving tax systems of developing countries.

On 6 August 2015, the UK announced cooperation with Ghana to ensure a better system for tax avoidance and evasion. This would allow automatic sharing of tax information between the two countries and help to detect undeclared taxable assets.

The UK continued its commitment to the recommendations made for the G20/OECD Erosion and Profit Sharing (BEPS) Action plan. It reformed international tax rules to ensure that multinational enterprises could be taxed.

In 2015, the UK also supported the Global Forum's Africa Initiative, which raises awareness of exchange of information in order to confront tax evasion. This initiative aims to assist 17 African countries in building an effective national tax monitoring system.

The UK has been active in promoting and implementing a systematic exchange of information. Through bilateral or multilateral partnership, the UK also showed commitment to helping other countries develop a program to reduce international tax avoidance and evasion. Therefore, it has been awarded a full compliance score of +1.

Analyst: Tatiana Ferrara-Menezes

United States: 0

The United States has partially complied with its commitment to promote the automatic exchange of tax information (AEOI). Although it has not acted to implement AEOI, it has participated in an initiative to promote it.

On 13 July 2015, the US launched the Addis Tax Initiative in cooperation with the United Kingdom, Germany, the Netherlands, Ethiopia and Kenya. The initiative assists participating countries to enact reforms that build the fairness, transparency and efficiency of their tax systems. This includes "enabling partner countries take advantage of the progress made on the international tax agenda, such as … tax information exchange including automatic exchange of information."

The United States is not a signatory to the OECD Common Reporting Standard (CRS). Model 1 intergovernmental agreements for implementing the US Foreign Account Tax Compliance Act (FATCA) provided much of the framework for the CRS. However, FATCA intergovernmental agreements neither require that the US reciprocate the sharing of tax information nor support the establishment of multilateral exchange networks. The United States has also stated its intention not to become a signatory to the CRS.

The United States has thus partially complied with the G7 commitment to promote the automatic sharing of tax information and has been awarded a score of 0.

Analyst: Jerome Newton

European Union: +1

The European Union has fully complied with its commitment to promote and implement the automatic exchange of information (AEOI) on cross-border tax rulings.

On 17 June 2015, the EU published a list of thirty countries it called "non-cooperative jurisdictions" with respect to tax information sharing. It doing so it hoped to "push non-cooperative non-EU jurisdictions to be more cooperative and adopt international standards," of which the AEOI is part. Although the Organisation for Economic Co-operation and Development subsequently published an open letter pointing out that some states on the blacklist were, in fact, compliant with AEOI standards, this measure nonetheless constitutes an attempt to promote the AEOI.

On 8 December 2015, the European Council issued Directive 2015/2376 on AEOI, amending the previous Directive 2011/16EU. It introduced, inter alia, new measures and definitions to improve the legal certainty of the terms of the prior directive, more stringent standards for information exchange, and powers for the European Commission to enforce those standards.

On 15 February 2016, the EU and Andorra entered into an agreement for AEOI.

The EU has both promoted and furthered the enactment of the automatic exchange of financial information in cross-border tax rulings. Therefore, it has been awarded a score of +1 for full compliance.

Analyst: Jerome Newton