



# G20 COMMON REPORTING STANDARD IMPLEMENTATION PLAN

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Cross-border tax avoidance and evasion is a global problem that threatens the integrity of public finances and community trust in the tax system. Improved transparency, including the ability to exchange taxpayer information between tax authorities, is critical to improving international tax compliance and combating tax evasion. The G20 is committed to working towards an effective global solution and has helped drive the agenda for improved tax transparency since 2009, when it agreed to arrangements for the exchange of tax information on request between tax administrations around the world. Since then, the G20 has intensified its efforts and last year the G20 took another significant step forward on the tax transparency agenda by supporting the automatic exchange of information (AEOI) among tax administrations to better equip them to address cross-border tax evasion. As part of this work, the OECD has developed a single global standard for AEOI.<sup>1</sup>

In February 2014, G20 Finance Ministers and Governors endorsed the first part of the OECD's new global standard for AEOI, the Common Reporting Standard (CRS), and committed to working with all relevant parties, including financial institutions, to detail an implementation plan at their September meeting. Ministers and Governors also called for the early adoption of the standard by those jurisdictions that were able to do so, and for all financial centres to match the G20's commitment. This document sets out the CRS implementation plan for G20 members.

Since February we have seen a number of other significant developments that show the growing momentum for the adoption of the CRS. Over 60 jurisdictions, including all G20 countries, have now publicly stated that they are determined to implement the CRS swiftly.

In March, a group of 44 countries and jurisdictions, which includes ten G20 members, announced they would implement the CRS with the first exchange of information between them expected to take place in September 2017.<sup>2</sup>

In May, the Ministers of OECD Member and other countries welcomed the new standard and in total 47 countries signed a Declaration in which they expressed their determination to implement the new global standard swiftly and called on all financial centres to do so without delay.<sup>3</sup>

Since this time, the Chair of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) has written to Global Forum members, including all G20 countries, asking them to indicate whether they could meet a timetable of exchanging information under the CRS in 2017 or 2018. The intention is for the Global Forum to report on the responses to the G20 Leaders' meeting in November.

At the September G20 meeting of Finance Ministers and Governors the OECD will present its final standard which outlines the necessary elements for effective implementation, including a detailed commentary, as well as standards for harmonised technical and information technology solutions, with secure transmission of data.<sup>4</sup>

## G20 Members CRS Implementation Timeline

Consistent with the commitment made by Ministers and Governors in February 2014, this implementation plan demonstrates the G20's determination to swiftly implement the new CRS and translate it into domestic law. The plan outlines the intentions of 23 members, including all G20 members, and permanent and invited guests (Spain, New Zealand and Singapore). The implementation plan is based on responses to a survey, which outlined when G20 members intend to implement and first exchange financial account information according to the CRS. The survey also requested information on the processes that members had already undertaken to prepare for CRS implementation and what, if any, further processes were planned.

The responses show that almost all G20 members, 20 of the 23 surveyed members, intend to meet the timetable proposed by the Chair of the Global Forum for exchanging information on a CRS basis in 2017 or

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<sup>1</sup> The new standard draws extensively from the intergovernmental agreements to implement the U.S. Foreign Account Tax Compliance Act (FATCA).

<sup>2</sup> Joint statement can be accessed via <http://www.oecd.org/tax/transparency/AEOIjointstatement.pdf>.

<sup>3</sup> Declaration can be accessed via <http://www.oecd.org/mcm/MCM-2014-Declaration-Tax.pdf>.

<sup>4</sup> OECD Secretary-General Report to the G20 Finance Ministers and Central Bank Governors, September 2014.

by the end of 2018. Three G20 members have indicated that at this stage their CRS implementation timeline is still under consideration.

Members who have indicated that the timing of their CRS implementation is still under consideration will consult on the feasibility of an implementation timetable for first exchange of information by the end of 2018.

## Key considerations for chosen timeframe

All members have emphasised their full support for measures to improve tax transparency and tackle cross-border tax evasion, and for the swift implementation of the CRS. While there were a range of considerations affecting the individual implementation timetables chosen by each member, three consistent issues emerged: the need to undertake consultations, and accommodate legislative and system changes.

**Consultations:** Most G20 members have undertaken consultation with domestic stakeholders on the CRS. Most indicated that they have prepared their financial institutions for early implementation of the CRS through extensive consultations. Some noted that they had clearly communicated to stakeholders their intention to adopt the CRS on an early timeframe and had used FATCA consultation processes to raise CRS implementation related issues.

Some members have indicated they intend to undertake further consultations, particularly given the recent release of the OECD's final standard, commentary and modalities. This will allow more detailed consideration of the CRS, how it will be applied domestically and how it will be translated into legislation. Some members also noted the need for further consultations in order to fully understand the compliance costs of CRS implementation and the best way to mitigate these costs.

**Legislation:** The timing of the intended CRS implementation is predicated on the development and passage of domestic legislation in member countries. Some members have noted that the development of legislation has only been possible following the recent release of the OECD's finalised standard, commentary and modalities.

**System changes:** The implementation of the CRS will require both financial institutions and tax administrations to undertake IT and broader system changes.

A number of members have noted that their financial institutions and tax administrations are well placed to implement the CRS and have leveraged off the work done as part of FATCA implementation. Indeed, these members have noted the potential benefits of closely sequencing FATCA and CRS implementation as a key motivation for the early implementation of the CRS.

Other members, however, have noted that financial institutions and tax administrations need time to make the necessary systems changes to operationalise the CRS.

A number of members have also noted that their financial institutions have requested certainty as to the legislative and administrative settings before committing to make the necessary system changes; for fear that any adjustments in the regulatory parameters could necessitate costly revisions on their part. Based on past experience (such as FATCA) a number of G20 members have indicated that their financial institutions require approximately 18 months from when the CRS implementation legislation takes effect before they could commence the due diligence procedures required under the CRS.

## Next Steps

G20 members are highly committed to strengthening tax transparency and improving tax compliance to combat cross-border tax evasion. The G20 will work towards the swift adoption of the CRS on an ambitious but realistic timeframe, and continue to advocate for the swift adoption of the CRS including by non-G20 members, particularly financial centres. We look forward to the Global Forum's work to monitor and review the implementation of the CRS.

Substantial work has been undertaken in ensuring that developing countries can also participate in the automatic exchange of information, although they may not have the capacity to comply with the CRS in the same timeframe as developed economies. The G20 is committed to engaging and supporting developing countries so that they too can benefit from adopting this new global standard. The G20 Development Working Group has delivered a Roadmap outlining how developing countries can overcome obstacles to automatically exchanging information.