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OECD Automatic Exchange of Information Standards and Requirements

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Introduction

> Recent News


- +Lebanon was able to avoid being placed on the G20 blacklist for the time being
 - Exchange of information on request
- +Parliament issued the necessary laws pursuant to the recommendation of the Global Forum
 - Abolishing bearer shares
 - Exchange of information Law
 - Amending the Tax Procedure Law (definition of residency)
 - Reporting on Foreign Trusts

> The 3 pillars for Lebanon to be deemed a cooperative jurisdiction

- I. To be assessed as Compliant by the GF for the exchange of tax information on request (pass the evaluation under Phases I and II)
passed to Phase II on September 30th, 2016
- II. **Commit to the automatic exchange of financial information**
MoF committed in April 2016
- III. **Sign the Multilateral Convention**
applies to both the exchange of tax information on request and the automatic exchange of financial information



The Global Forum

- > GF created in the early 2000 in the context of the OECD's work to address the risks posed by non-cooperative jurisdictions to tax compliance
- > Multilateral framework where work in the area of tax transparency and exchange of information is carried out by more than 120 countries
- > Charged with in-depth monitoring and peer review of the implementation of international standards of transparency and exchange of information for tax purposes
- > By June 2017, Lebanon should have in place the appropriate legal framework for the automatic exchange of financial information
- > GF assessment of the framework and initial report to GF members around mid 2017
- > Rating of jurisdictions starting 2019 (approximately one year following implementation) 

The automatic exchange of financial information (EOIR/CRS/GATCA)

4 building blocks

- > **Domestic legislation** (transmitting the reporting and DD req. into domestic law)
 - + New law issued by parliament authorizing the Government to sign the MAC and MCAA (allows the tax administration to automatically exchange information)
 - + BDL and the SIC to request FI to provide information required under the MCAA to the MOF or a designee in order to be able to automatically exchange such information with foreign counterparties (obligation on FIs to collect and report)
 - + MOF and BDL will designate the reporting entities pursuant to the standards
 - + GF standpoint, more specifically...
 - Primary legislation
 - » High level due diligence and reporting obligation
 - » Penalties
 - » Regulatory powers
 - Secondary legislation
 - » Details of the DD obligations
 - » Timing of reporting
 - » Format
 - » Options specification (e.g. 3rd parties service providers, DD procedure same for pre-existing accounts as new accounts, same for low-value and high-value accounts, exclusions for pre-existing entities with <250k, expanded definition of pre-existing account)
 - » Exclusions



The automatic exchange of financial information (cont.)

- > **International agreement (legal basis to exchange information)**
 - + MAC (Multilateral Convention on Mutual Administrative Assistance in Tax matters)
 - + MCAA (Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information)

- > **Administrative and IT capacity (put in place Admin and IT infrastructure to collect and exchange information)**
 - + Common format at the level of Gov to Gov of exchange of information (common transmission system with GF involved in its operation)
 - + No common solution for reporting FIs

- > **Confidentiality and data safeguards (protect data-legal and operational)**
 - + Allow Lebanon's potential exchange partners to decide whether to exchange with it or not
 - + Possible non-reciprocal agreement
 - + IT systems, background check for personnel...



The automatic exchange of financial information (cont.)

> General

- + Its purpose is to tackle offshore tax evasion
- + Builds on FATCA
- + Leveraging on FATCA many jurisdictions started to automatically exchange information with other than the US
- + Hence the need to a common reporting standards (the CRS) and the role of the OECD to facilitate such task, supported by the G20

> What is required?

- + The CRS is based on the IGA model with no option to report directly to the relevant competent authorities, Government to Government

> The standards (developed by the OECD in close cooperation with GF)

- + FFIs report to tax authorities where they are located
 - the details of **financial assets** held by the FFI
 - of taxpayers from jurisdictions where the tax authority exchanges information, i.,e. the resident of that jurisdiction
 - nationality is not relevant (unlike FATCA)



- + **The scope of FFI is wide: “an entity in a participating jurisdiction that is an FI and not a non-reporting FI”**
 - Banks, custodial institutions, and investment entities, within certain criteria and certain insurance companies
 - Non reporting: government , pension fund, CB, and other low tax risk entities

- + **Due diligence rules (can be build on FATCA)**
 - No threshold of 50K for pre-existing individual and 250K threshold for pre-existing entities
 - FIs are non-reportable persons

- + **Exchange of information timeline**
 - DD for new clients as of January 1, 2017 (reporting starts September 2018)
 - DD for pre-existing high value individual completed by December 31, 2017 (reporting starts September 2018)
 - DD for pre-existing low value individuals and entities by December 31, 2018 (reporting starts September 2019)
 - High value = above 1 million \$



+ Information reported

- are identity of account holder (name, address, residence and TIN)
- account number
- name and identifying number of FI
- account balance/value
- % paid (depository account), %, dividends, other income and gross proceeds paid (custodial accounts), gross amounts paid (other accounts)

difference with FATCA

- » *DOB needed only if no TIN and place of birth are available (possibility of multiple jurisdictions with CRS)*
- » *no need for account balance if account is closed during that year*



Going forward....

- > Sign the MAC and MCAA
- > Pass the assessment of confidentiality
- > Issue the necessary regulations (MOF, BDL, SIC, CMA, Mo E&T)
- > Start implementation

.....to avoid any non-compliance report to G20



Thank you

