

## Factsheet

### **The automatic exchange of information (AEOI)**

September 2018

The purpose of the AEOI is to help prevent tax evasion through the holding of assets abroad. Under the provisions of the AEOI, financial institutions, including not only banks such as St.Galler Kantonalbank AG (SGKB) but also other Swiss financial institutions such as insurance companies and investment firms, will have to gather financial information about clients with a tax domicile abroad. Each year, they must then report this information to the relevant authorities in the client's country of residence via their national tax authority. This document provides information about the AEOI and explains what the new global standard means for you.

#### **1. How does the exchange of information work?**

Financial institutions subject to reporting requirements such as SGKB are obliged to report the relevant information (see question 4) about reportable clients (see question 3) to the Swiss Federal Tax Authority (SFTA) each year. The SFTA then forwards this information to the respective tax authorities of the reportable persons. A constantly updated list of Switzerland's AEOI partner states is available at <https://www.sif.admin.ch>.

#### **2. Statutory basis and implementation**

The Federal Assembly adopted the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (administrative assistance convention), the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA) and the Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOI Act) on 18 December 2015. The Ordinance on the International Automatic Exchange of Information in Tax Matters (AEOI Ordinance), which contains the implementing provisions for the AEOI Act, was adopted by the Federal Council on 23 November 2016. The legal basis for the AEOI was thus created and entered into force on 1 January 2017.

#### **3. Which clients are reported under the AEOI?**

All persons who have their tax domicile in an AEOI partner state will be reported under the AEOI. "Tax domicile" refers to the place where a person has unlimited tax liability. The tax domicile generally corresponds to the (principal) place of residence. A holiday home in another country only gives rise to limited tax liability and, as such, is usually not relevant.

Domestic clients (i.e. persons who have their tax domicile solely in Switzerland) are generally not affected by the AEOI. However, domestic clients must also be reported under the AEOI if there are any indicia (e.g. a foreign telephone number) of a tax domicile abroad and these indicia are not rebutted.

A self-certification would generally enable the indicia to be rebutted, thus preventing any report being forwarded to an incorrect tax domicile. If clients are unable to provide the proof required to rebut the indicia or do not wish to do so, the information is reported to the foreign tax authority in the indicia state.

In the case of non-operating entities such as domiciliary companies and foundations (passive non-financial entities, NFEs), their controlling persons (including, but not limited to, shareholders and beneficial owners) must be identified and, as a general rule, reported.

#### **4. What information is exchanged under the AEOI?**

In accordance with the AEOI, the following information on persons subject to reporting requirements (private clients, companies and, in the case of passive NFEs, their controlling persons) is sent each year by SGKB to the client's country of residence, via the SFTA:

- Name, address, tax domicile, tax identification number (TIN) and date of birth of the reportable person
- Account number
- Name and identification number of SGKB
- Total balance as at the reference date
- Total gross amount of interest, dividends and other income, as well as total gross proceeds from the sale or redemption of assets

Persons subject to reporting requirements are entitled to the rights accorded under the Swiss Data Protection Act and the AEOI Act in relation to this information collected by SGKB and sent to the SFTA. As a result, clients may request information about this data and exercise their right to have incorrect data corrected.

#### **5. What happens to the information that is exchanged?**

The transferred data may only be used for the agreed purposes of the AEOI, i.e. to ensure that the correct taxation is applied. However, the AEOI standard does not specify how the national tax authorities actually have to do this (e.g. spot checks or comprehensive review of the data). This means that the AEOI brings very little change for clients who make a proper declaration of assets and income held at SGKB. In the case of clients who possibly may not have met their tax liabilities in full up until now, SGKB recommends consulting a tax advisor at their earliest convenience.

#### **6. Do you have any other questions?**

Should you have any further questions concerning the AEOI, please do not hesitate to contact your client advisor.