

Taxation: administrative cooperation

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The Commission presents a report giving an overview and assessment of the statistics and information on the automatic exchanges in the field of direct taxation.

Access to information on the incomes earned and the assets held abroad by resident taxpayers is of great importance for tax authorities. Council Directive on administrative cooperation in the field of direct taxation 2011/16/EU (DAC) sets out a framework for the exchange of information on taxpayers engaged in cross-border activities. It provides, *inter alia*, for the automatic exchange of information (AEOI) on prescribed tax data without prior request from another country, which is mandatory.

The report covers three categories of automatic information exchange.

DAC1

Member States are required to automatically exchange information that is available on five categories of income and capital: income from employment, director's fees, life insurance products, pensions, and ownership of and income from immovable property. The report covers 2015-2017 inclusive. The Commission notes that Member States exchanged information concerning nearly 16 million taxpayers, related to incomes and capital amounting to over EUR 120 billion.

Risk assessment and personal income tax assessment are the most common uses of the information reported in all three years. The overall trend seems to be an increased and more intensive use of the information received. There are no major differences in the use made of information under the various income categories, with the exception of life insurance products, which are systematically less used than the other income types.

DAC2

Member States are required to automatically exchange financial account information, i.e. end-of-year account balance on a reportable account, as well as dividends, interests, gross proceeds and other investment income paid to that account during a year. The information available refers to the period from mid-September 2017 through March 2018. Therefore, no reliable analysis may be made on the possible use of the data. Member States exchanged information concerning a total of some 8.7 million accounts, and financial income about end-of-year account balances amounting to EUR 2,919 billion in total. However, so far, the exchanges have concerned only the existing 'high value accounts' and the 'new accounts' opened in the last months of 2016. The number of accounts is therefore expected to increase once the full reporting scope of DAC2 is implemented. The network of bilateral exchanges is centred on Luxembourg and, to a much smaller extent, Ireland. Again, the report notes that risk assessment is reported as the most common use of DAC2 information, followed by tax assessment.

DAC3

This requires sharing information on advance cross-border tax rulings and advance pricing arrangements issued to a person or group of persons, other than natural persons. DAC3 resulted in a major increase in the transparency of information with almost 18 000 rulings recorded in the central directory in 2017 compared to hardly any being spontaneously exchanged in the years up to 2015. However, it is too early to report on how this additional information has been used.

Costs and benefits

The overall implementation costs of AEOI provisions appear to be approximately EUR 112 million for the period 2012-2017, relating mainly to the development and maintenance of the IT systems which are used to exchange information automatically.

The report states that the main benefits lie in the ***increased tax compliance and in the deterrent effect for taxpayers***. However, it is very difficult to quantify the benefits of AEOI in terms of additional tax revenues. However, it is very difficult to quantify the benefits of AEOI in terms of additional tax revenues.

Conclusions

The report states that Member States have recognised that the tax information received via AEOI can be used in different ways. The tax authorities mainly use the information for risk assessment and personal income tax assessment. However, several Member States still make very limited if any use of the information they receive.

Member States often send information which do not include all necessary identification elements that would permit an automated matching of this information with the one available nationally. The Commission suggests the following:

Improve quality of information: the [EU Fiscalis programme](#) for tax cooperation can provide support for both improving AEOI data quality and making sure information exchanged is used efficiently and effectively to create a fairer tax system for the benefit of Europe and its citizens.

Member States should:

- review the quality of the information they collect before they send it;
- give timely and constructive feedback on information received to those sending it, so that AEOI quality can raise overtime.

Make better use of data received via AEOI: Member States should:

- agree on some common key indicators for benefits and assessment methods;
- develop a common methodology to estimate the benefits of AEOI reliably and comprehensively;
- ensure AEOI information is part of the tax risk management cycle and that it is used more for awareness campaign to improve voluntary compliance as well as for audits, combining all AEOI flows together as well as information obtained nationally and received via other means of administrative cooperation (e.g. simultaneous controls, presences in other tax administrations during enquiries and through exchange of information on request and spontaneously);
- share knowledge of best practices for full and efficient use of the data, for example by using advanced analytics techniques, such as data mining.