

New multilateral action to combat tax evasion

April 10, 2013

In brief

On April 9, the Government of the United Kingdom (UK) announced an agreement with France, Germany, Italy and Spain to develop and pilot multilateral tax information exchange arrangements. Under the agreement, a wide range of financial information will be automatically exchanged between the five countries. The agreement is to help catch and deter tax evaders as well as to provide a template for wider multilateral automatic tax information exchange.

The pilot will be based on the Model Intergovernmental Agreement (IGAs) developed between the five countries and the United States for purposes of the provisions of the US Foreign Account Tax Compliance Act. The intention is to help ensure that international tax evasion is tackled in a way that minimises costs for both businesses and governments.

In addition, the five countries jointly submitted a letter to the European Commission, stating the importance of its Action Plan in combating tax fraud and inviting other EU Member States to join in the pilot while also encouraging further legislative efforts to implement mandatory tax information exchange between EU Member States. The letter also cites specific actions which should be taken within the EU to strengthen this cooperation, including: (1) implementation of article 8 of the Administrative Cooperation and Mutual Assistance Directive of 2011; (2) the effective implementation of the 'most favoured nation' provision of article 19 of the same Directive; and, (3) agreeing on the amending proposal of the Savings Tax Directive of 2003 in order to extend its scope to relevant third countries.

The takeaway

Although this pilot multilateral tax information exchange is a natural and expected evolution from the reciprocal exchange of tax information under the IGAs, this announcement brings new momentum to the initiative. The position of HM Treasury in its simultaneous announcement and the G5 in its joint letter to the Commission is that this pilot will serve as a template for transparency by providing for

broader multilateral tax information exchange.

The announcement of the pilot and the letter to the European Commission are both high level in nature and provide limited detail, including on intended timing. This approach provides an opportunity for countries to agree to work together with ongoing efforts such as the recent discussions at the Organisation for Economic Co-

operation and Development (OECD).

This aligns with market trends that multilateral tax information exchange will continue to expand in the coming years and that current FATCA projects will need to consider the information required to support this type of multilateral information exchange. As an example, account holders should be tracked by reference

to their country and not simply US verses non-US.

Additional background

Link to the G5's letter: [The G5's letter to the European Commission](#)

Link to the release by the HM Treasury: [New UK multilateral action to combat tax evasion](#)

See Global IRW Newsbriefs - [United States and United Kingdom sign first bilateral FATCA intergovernmental agreement](#) for more information on the Treaty and [HMRC issues Draft Guidance Notes - Implementation of International Tax Compliance \(US\) Regulations 2013](#) for more information on the draft UK guidance.

For more information about FATCA, please visit our web site at <http://www.pwc.com/us/fatca>.

Let's talk

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