

7. Automatic Exchange of Information (AEOI) Regime

Prelims: Economics

Mains: GS-III- Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Why in News?

- ▶▶ Banking details of Indians with accounts in Switzerland will be available to tax authorities as the automatic exchange of information regime kicks off between the two countries.
- ▶▶ In 2016, India and Switzerland had signed an information-sharing deal on bank accounts, which was to come in effect from September 2019.
- ▶▶ Both countries intend to start collecting data in accordance with the global AEOI standard in 2018 and to exchange it from 2019 onwards.

AEOI:

- ▶▶ This automatic exchange of information (AEOI) is to be carried out under the Common Reporting Standard (CRS), the global reporting standard for such exchange of information. It takes care of aspects such as confidentiality rules and data safeguards.
- ▶▶ The CRS has been developed by the Organisation for Economic Cooperation and Development (OECD). Under the agreement, India will not receive information on bank accounts prior to 2018. Under the agreement both jurisdictions will inform each other of any relevant developments in respect to the implementation of the OECD Common Reporting Standard in their respective domestic laws.
- ▶▶ Each jurisdiction confirms that it has informed the other jurisdiction about the modalities made available to persons making a voluntary disclosure of their Financial Assets.

Benefits of the Regime:

- ▶▶ In 2018, data from Zurich-based Swiss National Bank (SNB) had shown that after declining for three years, money parked by Indians in Swiss Banks rose 50 per cent to CHF (Swiss Franc) 1.02 billion (Rs 7,000 crore) in 2017 over the previous year.
- ▶▶ The step is likely to shed more light on the wealth Indians have stashed away in Swiss bank accounts, for so long governed by strict local rules of secrecy.
- ▶▶ It is a significant step in the government's fight against black money and the era of "Swiss bank secrecy" will finally be over.