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## Swiss spat with Saudi and NZ the tip of the CRS iceberg

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By Will Grahame-Clarke, 26 Oct 17

The lower house of the Swiss parliament has rejected automatic exchange of information (AEOI) agreements with New Zealand and Saudi Arabia but has given the green light to ratify deals with 39 other nations.



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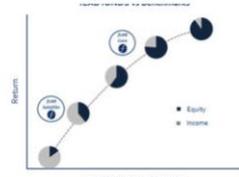
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The lower house of the Swiss parliament has rejected automatic exchange of information (AEOI) agreements with New Zealand and Saudi Arabia but has given the green light to ratify deals with 39 other nations.

The Swiss want the Kiwis to sign a separate bilateral social security agreement and are concerned the Saudi won't be able to treat the data securely.

### Complexity of CRS

Drazen Turujlija, who is in charge of wealth and tax planning at Swiss bank Reyl, told International Adviser that the disagreement over the introduction of AEOI is an indication of how complex the implementation of new arrangements will be.

He predicts that, with the huge volume of data exchanged between 102 countries, instances of double or triple taxation will become an increasing possibility.

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“The main effect of automatic exchange is tax transparency. All jurisdictions will have to learn to abide by the rules and if they don’t they will be simply blacklisted.

“That means there will be sanctions. We could imagine participating jurisdictions levying a high withholding tax, which would have some force with non-cooperative jurisdictions.”

Automatic exchange through CRS is already in force among a host of early adopters, with global enforcement of the rules by the Organisation for Economic Co-operation and Development (OECD) starting in 2018.

AEOI will make it almost impossible to be resident in one country and have undeclared assets sheltered in another. CRS was born after the US insisted on the global reporting of US owned and derived assets through Fatca (Foreign Account Tax Compliance Act).

#### Discrepancies

“Clients probably won’t notice the difference with automatic exchange, but lawyers will and the OECD,” said Turujlija.

“There could be some discrepancies in the interpretation of some of the rules. For example, an active or a passive income isn’t precisely defined in common reporting standards and are referred to in domestic legislation. Some countries might have more or less of a broad definition but in time the OECD will ensure that these differences disappear.”

He believes it is not just the range of countries which contributes to the risk of double taxation but also the way such information is processed and interpreted by reporting persons. For example, an indication of tax residency in two or more countries (e.g. international calls and/or a request to send correspondence to a different country) could result in the information eventually being exchanged with all these countries.

Turujlija predicts that the impasse between New Zealand and the Swiss will be resolved, whether the two sides reach an agreement on social security or not, because of the pressure to reach comprehensive agreement on automatic exchange before the first information is dispatched in September 2018.

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