

The Automatic Exchange of Information (AEOI)

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The AEOI aims to prevent tax evasion when assets are held abroad. Under the AEOI, financial institutions, in particular banks such as St.Galler Kantonalbank AG (SGKB), but also other Swiss financial institutions as well as insurance companies and investment undertakings, must collect financial information on clients liable to tax abroad and report this information annually to the competent authorities of 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 as our client.

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 the clients subject to reporting requirements (see question 3) to the Swiss Federal Tax Authority (FTA) on an annual basis. The FTA then forwards this information to the respective tax authorities of the persons subject to reporting requirements. A constantly updated list of Switzerland's AEOI partner states is available at <https://www.sif.admin.ch>

2. Legal basis of the AEOI

On 18 December 2015, the Federal Assembly adopted the Multilateral Agreement on Mutual Administrative Assistance in Tax Matters (Mutual Assistance Agreement) and the Multilateral Competent Authority Agreement (MCAA) together with the Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOI Act). 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. This created the legal basis for the AEOI, which came into force on 1 January 2017.

3. Which clients are reported under the AEOI?

In principle, all persons who have their tax domicile in an AEOI partner state must be reported under the AEOI. Tax domicile is understood to be the place where a person is subject to unlimited tax liability. The tax domicile is usually the same as the (main) place of residence. A vacation home in another state results in only a limited tax liability and is therefore generally not relevant. Domestic clients (i.e. persons who have their tax domicile solely in Switzerland) are generally not affected by AEOI. However, domestic clients must also be reported under the AEOI if there are any indications (e.g. a foreign telephone number) that they have a tax domicile abroad and if these indications are not refuted.

With the help of a self-certification, the indications found can be refuted in principle and thus a report to a possibly incorrect tax domicile can be prevented. If clients are unable or unwilling to provide the required evidence to refute the indications, SGKB cannot prevent the report, as this is provided for by law through the AEOI.

In the case of non-operating entities such as domiciliary companies and foundations (so-called passive non-financial institutions, NFEs), their controlling persons (in particular shareholders and the beneficial owners) must also be identified and usually reported.

4. What information is exchanged under the AEOI?

The following information on persons subject to reporting requirements (private clients, entities and, in the case of passive NFEs, their controlling persons) is transmitted annually under the AEOI by SGKB via the FTA to the client's country of residence:

- Name, address, tax domicile, tax identification number (TIN) and date of birth of the person subject to reporting requirements
- Account number
- Name and identification number of SGKB
- Total balance as of the balance sheet date
- Total gross amount of interest, dividends and other income, and total gross proceeds from the sale or repurchase of securities

With regard to the information collected by SGKB and to be transmitted to the FTA, the persons subject to reporting requirements are entitled to the rights under the Data Protection Act and the AEOI Act. Accordingly, clients may request information about this data and demand that incorrect data be corrected.

5. What happens with the information exchanged?

The transmitted data may only be used for the agreed purpose of the AEOI, i.e. to ensure correct taxation. The AEOI standard does not, however, specify how the national tax authorities are to do this in concrete terms (e.g. random sampling or comprehensive data verification). Little will therefore change as a result of the AEOI for clients who properly declare their assets and income to SGKB. In the case of clients who have not yet fully complied with their tax liabilities, SGKB recommends that they contact a tax advisor immediately.

6. Do you have any further questions?

If you have any further questions about the AEOI, please contact your client advisor.