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Combating tax evasion: Council agrees to extend automatic exchange of information

The Council agreed today¹ on a draft directive extending the scope for the mandatory automatic exchange of information between tax administrations, enabling them to better combat tax evasion and to improve the efficiency of tax collection.

The proposal brings interest, dividends and other income, as well as account balances and sales proceeds from financial assets, within the scope of the automatic exchange of information. It thus amends directive 2011/16/EU on administrative cooperation in the field of direct taxation.

"Today we took a major step towards greater transparency marking the end of bank secrecy in tax matters in the European Union", said Pier Carlo Padoan, minister of economy and finance of Italy and president of the Council. "We decided to implement within the EU the new global standard on automatic exchange of information developed by the OECD and endorsed by the G20. This shows the EU is still at the forefront of the fight against cross-border tax fraud and evasion, for the benefit of all citizens."

Directive 2011/16/EU already provides a framework for mutual assistance between the member states, enabling them to better assess taxes due. It sets out the details to be specified in requests for information on taxpayers, and prevents requests from being refused on grounds of bank secrecy. The directive provides for the mandatory automatic exchange of information on certain categories of income held by taxpayers in member states other than their state of residence. It sets out a step-by-step approach for extending this provision to new categories of income and capital.

In recent years, cross-border tax fraud and tax evasion have become a major focus of concern, both within the EU and at global level. Unreported and untaxed income is considerably reducing potential national tax revenues. An increase in the efficiency and effectiveness of tax collection is therefore urgently needed, and the automatic exchange of information constitutes an important instrument in this regard.

At a meeting of the Economic and Financial Affairs Council.

The Commission presented its proposal in June 2013. Work on the text has proceeded in parallel to the development within the OECD of a single global standard for the automatic exchange of information. The OECD Council published the new global standard, the "common reporting standard", in July 2014. It was endorsed by G20 finance ministers and central bank governors in Cairns on 20 and 21 September.

By agreeing on the new directive, the EU underscores the Importance of these international developments by adapting its internal legislation as appropriate.

The new directive will be adopted at a forthcoming Council meeting without further discussion, once it has been finalised in all official languages. Based on article 115 of the Treaty on the Functioning of the EU, it needs unanimity for adoption by the Council, after consulting the European Parliament.

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