



AFRICAN TAX  
ADMINISTRATION FORUM  
FORUM SUR  
L'ADMINISTRATION  
FISCALE AFRICAINE

*Leading Africa In Tax Administration*

A PRACTICAL GUIDE ON  
**AUTOMATIC EXCHANGE  
OF INFORMATION**  
FOR AFRICAN COUNTRIES

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## Abbreviations and Acronyms

<b>AEOI</b>	Automatic exchange of information
<b>APRG+ AEOI</b>	Peer Review Group
<b>AfCFTA</b>	African Continental Free Trade Area
<b>AML</b>	Anti-Money Laundering
<b>ATAF</b>	African Tax Administration Forum
<b>CA</b>	Competent authority
<b>CbCR</b>	Country-by-Country Reports by Multinationals
<b>CDD</b>	Customer Due Diligence
<b>CDS</b>	Confidentiality and Data Safeguards
<b>CRS</b>	Common Reporting Standard
<b>DRMS</b>	Domestic Resource Mobilisation Strategy
<b>DTC</b>	Double tax convention
<b>EOI</b>	Exchange of information
<b>EOIR</b>	Exchange of information on request
<b>FATCA</b>	Foreign Accounts Tax Compliance Act
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>Global Forum</b>	Global Forum on Transparency and Exchange of Information for Tax Purposes
<b>IFF</b>	Illicit Financial Flows
<b>ISM</b>	Information Security Management
<b>ISO</b>	Information Security Management
<b>KYC</b>	Know Your Client
<b>MCAA</b>	Multilateral Competent Authority Agreement

## Executive Summary

The Common Reporting Standard on Automatic Exchange of Financial Account Information was adopted by the OECD Committee on Fiscal Affairs working with the G20 and opened for signature on 29th October, 2014 in Berlin, Germany. Since then, the number of countries implementing this standard from the year of first exchanges (2017) has since grown from the forty-five (45) jurisdictions that were early adopters to more than one hundred twenty-three (123) Jurisdictions committed to this exchange by 2025. Of these, only ten (10) African countries are committed to or have the adequate infrastructure in place.

A Practical Guide on Automatic Exchange of Information is a timely resource for African countries that may encounter any of the following three (03) scenarios i.e. Countries that seek answers to policy and practical considerations before making a formal commitment to AEOI; Countries that have committed to implement AEOI by a specific timeframe, but require to put in place the necessary building blocks or need to evaluate their progress on the same; and Countries which are already exchanging information but would like to move ahead on their post exchange commitments and reap the full benefits from this standard.

The first part of this practical guide provides a general overview on AEOI and the state of play among African countries including the common challenges and possible stumbling blocks to CRS AEOI implementation. This is, in no way, aimed at magnifying the latter, but rather to enable African countries diagnose the right problem and find practical solutions which are all-inclusive for key decision makers, international organisations and standard setting bodies.

The second segment of the practical guide underscores the importance of developing a strong business case to support decision making at the highest level of government. The latter leverages key decisions and commitments that have been made at an international level which once activated create

a strong foundation for a country to progress from political commitment to practical implementation by Tax Administrations. The last part of this section is dedicated to the revenue gains and other ancillary benefits that accrue to the implementation of AEOI.

The third segment focusses on the building blocks for CRS AEOI implementation which have been used to inform the activities in the CRS AEOI roadmap and implementation plan. Since inception of the standard in 2014, countries continue to raise concerns about the need to demonstrate the cost and benefit. Therefore, the specific cost centres are presented herein as well as the benefits for implementation of CRS AEOI.

The latter focus of the practical guide speaks to the hallmarks of good governance and already existent best practices in Tax Administration that strengthen and ease the adoption of CRS AEOI adoption at the level of tax Administration. More than exchanging the CRS AEOI data, countries need to focus on effective use of the data and preparations for the post-exchange peer reviews. Whereas this comes at the tail-end of the implementation cycle, tax Administrations need to prepare in anticipation of these post-exchange obligations.

Ultimately, CRS AEOI has to take root in the compliance spectrum of Tax Administration i.e. it must be mainstreamed into the risk identification and management tools, audit, investigation and enforcement, prosecution and debt-management. All these efforts must take into consideration the requirements of the international and domestic legal framework under which the CRS AEOI information is accessed and exchanged.

ATAF and OECD Global Forum working with other development partners have a comprehensive technical assistance program and tools available and accessible to member countries to implement the key recommendations of this practical guide in order to achieve a satisfactory level of CRS AEOI implementation and draw benefits from the project.

## 1 Introduction

More than 100 countries have already joined and are reaping the benefits of deterring serious tax evasion, gaining revenue from voluntary disclosure programmes and enhanced risk profiling targeting audits and investigations of tax evaders that were previously unknown.

Information on over 111 million financial accounts was exchanged automatically in 2021, covering total assets of almost EUR 11 trillion. In the period 2019 to 2021, almost EUR 2.6 billion has been identified due to Exchange of Information upon Request, almost EUR 2.4 billion from Automatic Exchange of Information and over EUR 2.5 billion from voluntary disclosure programmes and other offshore initiative<sup>1</sup>.

Some countries have now incorporated CRS information into the full spectrum of their risk-based selection of cases for compliance review. In developed countries CRS AEOI continues to provide a credible source of information to support Tax Administrations' efforts to pursue domestic debt through cross-border assistance in recovery.

In a bid to ensure that African countries are not left behind, ATAF and GIZ initiated a program aimed at development of a practical guide for AEOI for African countries. This emerging need for Tax Administrations in Africa to focus on and prioritise the implementation of AEOI arise from the funding pressures that countries face as a result of pandemic

that has had knock-on effects on the health and stability of the economy and Domestic Revenue Mobilisation initiatives.

Additionally, countries urgently need to not only build capacity in EOI to boost their revenue from cross-border transactions, but also to combat and prevent IFFs on the African continent in line with the recommendations of the High-Level Panel Report on Illicit Financial Flows (IFFs). Working with the ATAF Technical Committee on Exchange of Information, African countries have benefitted from technical assistance and capacity building programs tailored to enhancing the technical skills.

Despite these efforts, many African jurisdictions have not yet implemented automatic exchange of information and even those that have done so, still face challenges during the implementation process. Failure to adopt AEOI has had a negative impact on tax compliance with limited ability to curb illicit financial flows which continue to deplete resources from Africa. Since a number of African countries have committed to commencement of AEOI in 2023/2024, the ATAF Practical Guide on AEOI will go a long way to chart the way forward.

It is on this basis that ATAF and GIZ working with the ATAF Technical Committee on Exchange of Information has proposed a practical guide on Automatic Exchange of Information for African countries.

### 1.1 WHAT IS THE ATAF PRACTICAL GUIDE ON AEOI?

The ATAF Practical Guide on AEOI is a compilation of best practices and recommendations that have been adapted from various publications by international standard setting bodies and key-informant discussions with select ATAF member countries implementing CRS AEOI on what is needed for the implementation and adoption of Automatic Exchange of Financial Account Information in their respective tax jurisdictions.

Exchange of information between tax authorities may take several forms. However, this practical guide sets out a step-by-step approach to developing a tailored framework for exchange of information pursuant to Automatic Exchange of Financial Account Information (commonly referred to as the Common Reporting Standard, or CRS) that is in line with the requisite international and domestic infrastructure.

During the development of the recommendations in this practical guide, a comprehensive and objective assessment of all the available toolkits and publications together with unique country experiences in AEOI, have been taken into consideration. Furthermore, in order to achieve consistency with the existing documents on the implementation of the CRS, this guide benchmarks publications by international standard-setting bodies in the area of tax transparency and exchange of information like the Global Forum.

The ATAF Technical Committee on Exchange of Information and ATAF member countries with significant experience in implementing the CRS have also had significant input in terms of the challenges experienced and the practical approaches to AEOI.

For a comprehensive list of consultations (**Appendix 2**) carried out and key resources that have been relied upon in the process of development of this guide, see **Appendix 3**.

Thus, the recommendations made at the end of this practical guide are drawn from the experience and context of African Tax Administrations. They are consistent with internationally recognized standards and methods for guideline development to ensure that they do not duplicate existing advice, but rather speak to the policy, technical and structural needs of African countries. From the review of these guidelines, Tax Administrations will be able to see how each recommendation has been developed and on what basis.

### 1.2 STATUS OF CRS AEOI IMPLEMENTATION IN AFRICA

Many African jurisdictions have not yet implemented the CRS and even those that have done so, still face challenges during the implementation process. Out of the fifty-five (55) African countries, only five (05) have successfully implemented this initiative in line with the international standards at the time of drafting this practical guide. Five (05) other African countries are at different stages of implementation while the majority have not yet started i.e.;

- **Southern Africa Region:** South Africa<sup>2\*</sup>, Mauritius\*
- **Northern Africa Region:** Tunisia, Morocco
- **Western Africa Region:** Nigeria\*, Ghana\*
- **Eastern Africa region:** Seychelles\*, Kenya, Uganda, Rwanda

### 1.3 RISK OF BEING LEFT BEHIND

Developed and some developing countries and some developing countries have had significant experience various forms of Automatic exchange of information for example the Foreign Accounts Tax Compliance Act (FATCA), the European Union savings taxation rules and savings agreements with third parties among others. Some countries were early adopters of the standard on AEOI since 2017 when the first exchanges were conducted.

This experience has enabled these countries to make incremental rather than fundamental changes in their setup and existing IT and administrative

infrastructure to meet the requirements of AEOI as set out by the standard.

Relatedly, the OECD Standard on Automatic Exchange of Financial Account Information is fast evolving to address new and emerging risks in tax transparency and exchange of information. In 2022, the OECD released a new framework for automatic exchange of information on crypto-assets<sup>3</sup>.

The OECD also rolled out amendments to the Common Reporting Standard (CRS 2.0) to address areas where clarification, updates or improvements

1. <https://www.oecd.org/tax/transparency/documents/global-forum-annual-report-2022.pdf>

2.\*Countries that have fully implemented the CRS

3. <https://www.oecd.org/tax/exchange-of-tax-information/crypto-asset-reporting-framework-and-amendments-to-the-common-reporting-standard.pdf>

to the existing standard were needed. Countries will soon start implementing these new rules.

Beyond this, other forms of automatic exchange, and supporting information exchange frameworks have been developed. These include the following;

- Model Reporting Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy<sup>4</sup>
- Model Reporting Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy<sup>5</sup>
- Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures<sup>6</sup>

#### 1.4 RISK OF BEING IDENTIFIED AS A JURISDICTION OF RELEVANCE

Developing countries that do not host a financial centre were not required to commit to a specific date for CRS AEOI exchanges, recognising the particular challenges that they face to implement AEOI and the lower risk they pose to the level playing field.

However, the Global Forum established a process to identify jurisdictions that have not implemented the CRS AEOI and yet pose a significant risk to the effectiveness of the standard. These are broadly referred to as Jurisdictions of Relevance. The process of identification of Jurisdictions of relevance commences by a call by the Global Forum to member countries to identify and report countries that are not implementing AEOI but meet the criteria

Whereas these are currently optional frameworks, where implementing countries will reap significant benefits, African countries should not perceive these as options but rather critical interventions, which if well planned and implemented alongside the existing standard on CRS AEOI, then Tax Transparency and EOI will gain traction and more prominence in Africa.

Therefore, African countries should consider Automatic Exchange of information under the CRS among the practical solutions to curtail the risks of globalization and the efforts of tax evaders to obscure their financial assets in accounts held abroad. Ultimately, leading to a unified strategic response to the challenge of illicit financial flows out of Africa to guarantee Domestic Revenue Mobilization.

of a Jurisdiction of relevance. The Jurisdictions, which are identified through this process, are then assessed and once confirmed, the Global Forum invites them to commit to implement AEOI by a specific date and are monitored accordingly.

Failure to commit to or to meet a commitment for a Jurisdiction can lead to negative outcomes including blacklisting by the European Union. While developing countries may not appear to be at risk of these negative outcomes at the moment, they may become relevant, for example, if they wish to position themselves as financial centres or if they are identified by their fellow peers.

4. <https://www.oecd.org/tax/exchange-of-tax-information/model-rules-for-reporting-by-digital-platform-operators-xml-schema-user-guide-for-tax-administrations.pdf>

5. <https://www.oecd.org/tax/exchange-of-tax-information/model-rules-for-reporting-by-digital-platform-operators-xml-schema-user-guide-for-tax-administrations.pdf>

6. <https://www.oecd.org/tax/exchange-of-tax-information/model-mandatory-disclosure-rules-for-crs-avoidance-arrangements-and-opaque-offshore-structures.pdf>

## 2 Purpose of this Guide

The purpose of this practical guide is threefold i.e. firstly, to support African countries that have not yet committed to adopt the international standards to assess their current status and take deliberate actions towards implementation; Secondly, to enable those countries that have committed to implement AEOI under the OECD Common Reporting Standard by a specific timeline to review their progress against this practical guide and identify any areas for improvement. Thirdly, for those countries that are already implementing CRS AEOI and are already exchanging information, this practical guide will enable them to move ahead on their post exchange commitments and reap the full benefits from this standard.

This guide is intended to be used by policy-makers, decision makers or tax administrators to make informed decisions.

ATAF through the Technical Committee on Exchange of Information has developed this practical guide to improve the Automatic Exchange of Information implementation experience for African countries. Cognizant of the challenges that African countries face in the taxation of wealth, interest, dividends, assets and other passive income that may go untaxed by the Tax Administration due to limited availability and access to timely bank account information.

For the CRS AEOI to take root and achieve the desired impact on the African continent, it is imperative that African countries build on the already existing framework of Exchange of Information upon request as they apply the recommendations from this guide. Specifically, exchange of information upon request involving banking information has yielded significant revenue and demonstrated the value of access to similar bulk Financial Account information for purposes of audit and investigation of cross-border recovery of taxes.

The practical guide is also intended to highlight the challenges that many developing countries may face in implementing the international standard on CRS AEOI. The recommendations proposed herein draw from the different OECD publications, ATAF's experiences from the Technical Assistance missions and practical experiences of countries (especially members of the ATAF Technical Committee) that have already embarked on this journey.

Lastly, the practical guide addresses the confidentiality and related matters as existential risks that Tax Administrations have to address if they are to implement Automatic Exchange of Information with treaty partners on a reciprocal basis. Access to banking information under the CRS AEOI standard takes into consideration taxpayers' rights and safeguards including the right to confidentiality as a means to protect the integrity of the financial institutions in any Jurisdiction.

## 3 CHAPTER 1

# BUILDING A CASE FOR AUTOMATIC EXCHANGE OF INFORMATION

### 3 CHAPTER 1: Building a Case for Automatic Exchange of Information

The journey towards successful implementation of tax transparency initiatives requires key decision makers at the highest level in the Ministries in charge of Finance, Tax Administrations and other Agencies to give strategic direction in line with the Country's policy objectives and development agenda. It is therefore important for technical teams charged with the responsibility of guiding policy to align the tax transparency initiatives with the Domestic Resource Mobilisation Strategy (DRMS).

The first chapter, therefore, spells out the key agencies and their role in the process of arriving at a strategic decision to implement CRS AEOI. Without these, the decision-making process may be slow if not impossible as consultations often require positions to be taken which are binding on the agencies and the country. These include;

HIERARCHY OF DECISION MAKING	ROLE
<b>a) Ministry in Charge of Finance</b>	<ul style="list-style-type: none"> <li>Signs the formal commitments of the country's intention to implement AEOI to the Global Forum</li> <li>Integrates and monitors the implementation of Automatic Exchange of Information and related tax transparency standards in the Domestic Resource Mobilisation Strategy</li> </ul>
<b>b) Ministry of Foreign Affairs</b>	Has the authority to conclude all international agreements with interested and appropriate partners for CRS AEOI purposes.
<b>c) Tax Administration</b>	<ul style="list-style-type: none"> <li>Designated as the Competent Authority or Delegated Competent Authority for all CRS AEOI exchanges with treaty partners.</li> <li>Signs the Competent Authority Agreement with the other countries</li> <li>Provides the technical lead in CRS AEOI implementation and integration into DRMs.</li> <li>Administers the compliance of Financial Institutions with the requirements of the CRS AEOI</li> </ul>
<b>d) Ministry in charge of drafting laws in the Jurisdiction</b>	Provides guidance on legislative drafting and assurance to Government on the impact of CRS AEOI on existing laws, agreements and amendments required to achieve the same
<b>e) Ministry in charge of ICT and Data Protection</b>	<ul style="list-style-type: none"> <li>Provides the necessary assurances and guarantees that the provisions domesticating CRS AEOI are in conformity with the national and international data protection laws and standards</li> <li>Reviews and approves the use of AEOI IT systems in line with the National IT policy including conducting or causing the conduct of periodic information security assessments</li> </ul>

HIERARCHY OF DECISION MAKING	ROLE
<b>f) Regulatory Agencies and associations i.e. Central Bank, Insurance Regulatory Authority, Capital Markets, Financial Intelligence Unit</b>	<ul style="list-style-type: none"> <li>As supervisory agencies of Financial Institutions, they provide domain knowledge of the sector and industry to the Tax Administration during sensitization and awareness</li> <li>Provide a universal view and landscape of Financial Institutions that are likely to come within the scope of CRS AEOI reporting.</li> <li>Provides the regulatory impact assessment of the implementation of CRS AEOI to enable Tax Administration put in place mitigation mechanisms</li> </ul>
<b>g) Project lead preferably from the Competent Authority Office in charge of Exchange of Information</b>	A project lead with sufficient experience in Exchange of Information and Project Management is critical for the success of AEOI project. The provide technical lead in CRS AEOI implementation and can be consulted from time to time. These normally have direct access to OECD Global Forum for purposes of consultation and technical assistance.

With the right team in place, at a high-level, a number of questions have to be addressed in order to arrive at a decision on the best approach to adopt CRS AEOI implementation. Depending on the how DRMS is implemented in the Jurisdiction, these decisions may require approval the level of the Executive of Government, the Parliament, the Ministry in Charge of Finance or even the Senior Leadership of the Tax Administration (for autonomous tax administrations).

Ultimately, when building a case for Automatic Exchange of Information under the Common Reporting Standard or any other tax transparency standard, the following list of ten (10) non-exhaustive questions may be helpful for Tax Administrations. The detailed commentary to the latter can be found in **Table 1**.

#### BUSINESS CASE FOR CRS AEOI



##### 1. BACKGROUND

Do all the key decision makers have the requisite background information of the country's tax transparency journey?



##### 2. OBJECTIVES

Are the objectives of the proposal to implement CRS AEOI aligned to the national development agenda?



##### 3. PROBLEM STATEMENT

Has the problem that CRS AEOI seeks to address been clearly defined?



##### 4. OPTIONS ANALYSIS

Is the business case balanced in terms of the possible options to address the problem?



##### 5. BEST ALTERNATIVE

Is AEOI the most efficient way to address the challenge of cross-border tax evasion and Illicit Financial Flows?



##### 6. LEGAL IMPLICATIONS

What are the legal implications in terms of international and domestic legal framework?



**BUSINESS CASE FOR CRS AEOI****7. MILESTONES**

What are the key milestones in the journey towards AEOI implementation for the Jurisdiction?

**8. SENSITIZATION & AWARENESS**

What arrangements are in place to ensure awareness and sensitization? Have the technical leads consulted the key stakeholders?

**9. COST vs BENEFIT**

What are the cost implications? What are the possible revenue implications?

**10. DECISION MAKING**

What decisions need to be made?

**NOTE:**

1. The Tax Administration should include, in the business case, both the in-country and other countries' experiences on the status of implementation of tax transparency and exchange of information.
2. Objectives of the proposal should be recast and realigned with the national development agenda.
3. Consider enhancing the problem statement to include the challenges of digitalisation and globalisation pose towards Domestic Resource Mobilisation, the effect of Illicit Financial Flows and the possible remedies including AEOI.

**Note:** The above questions that inform the proposal

are not a one-size fit-all. They are intended to guide countries through the idealisation phase of the business case.

AEOI implementation is quite resource intensive. Therefore, in order to achieve buy-in by key decision makers, the AEOI technical leads in Tax Administrations need to clearly indicate the benefits of an effective AEOI implementation to revenue generation. Cases of other jurisdictions that are comparable in size and economic reality may be a useful resource to clearly demonstrate the benefits from investing in AEOI. A comprehensive strategy to ensure effective use of CRS AEOI data may also be essential to high-level buy-in.

**RECOMMENDATION 1:**

African countries should seek technical assistance opportunities available through ATAF and the Global Forum to review the above and prepare a fit-for-purpose business case for high-level decision makers.

**3.1 LEVERAGING THE HIGH-LEVEL COMMITMENTS AND POLICY STANCES ON TAX TRANSPARENCY TO GUIDE DECISION MAKERS**

The standard for Automatic Exchange of Financial Account information has gained traction at an international level since it was endorsed in 2014 in Berlin, Germany. This global consensus has culminated into regional and international commitments and support including on the African continent. A good business case for CRS AEOI

implementation for Tax Administrations on the African continent should reflect this progress and provide credible reference points at a strategic level for key decision makers. The following summary provides some useful information that could be leveraged to build a case for CRS AEOI.

**Box 1. AEOI Journey for Africa – A quantum leap from Exchange of Information on Request to AEOI**

In 2013, ATAF working closely with the OECD published a practical guide on Exchange of Information for developing countries. At this time, only one (01) African country had a robust legal and administrative framework to participate in Exchange of Information on Request (EOIR). Since then, the participation in EOIR has grown by leaps and bounds in terms of number of African countries implementing the exchange of information standard. As a result, EOIR alone has enabled nine (09) African countries to identify over EUR 233 million (USD 244 million) in additional revenue since 2014<sup>7</sup>.

African countries continue to signal at the highest political level, the need to fight against tax evasion and other IFFs through improved tax co-operation. In the margin of the 2017 Global Forum plenary held in Cameroon, Ministers of Finance and heads of tax administrations of African countries met to discuss their countries' priorities and challenges in advancing the tax transparency and exchange of information. The outcome of this meeting led to the signing of the Yaoundé declaration<sup>8</sup>.

Further discussions on tax transparency and EOI have been held with decision-makers, senior officials, members of parliament, international and regional governmental organisations, Civil Society Organisations (CSOs), partners and supporters i.e.;

- African Union Specialised Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration meeting in May 2021;
- Annual Conference on Transparency and IFFs organised by ATAF and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in September 2021;
- Round-table meeting of Ministers of Finance and Heads of Tax Administrations of the Africa Initiative Member countries;
- WATAF General Assembly and High-Level Policy Dialogue, which took place in September 2021;
- Pan-African Conference on IFFs and Taxation, co-hosted by Tax Justice Network Africa (TJNA) and ATAF in October 2021.

Tax Transparency and Exchange of Information has been presented and discussed at each of the meetings listed above. Therefore, the illustrations above provide evidence and key information needed at high-levels of government where discussions are held on advancing tax transparency and exchange of information. All focus and attention should be drawn to the outcomes<sup>9</sup> of these meetings and discussions in order to enable leaders at different levels of Government need to reflect on and consolidate a uniform position and strategic direction for their respective countries.

One of the key positions for consideration is the urgent need for African countries to progress from political commitments to practical implementation of the recommendations to end IFFs out of Africa. Moreover, these commitments have been endorsed at both a regional and international levels. Ultimately, there is substantial evidence that implementation of these recommendations not only results in increased revenue but also other efficiency gains in tax administration for Africa.

Automatic Exchange of Information is one (01) of the key recommendations that will enhance the tax transparency agenda in Africa<sup>10</sup>. This is evidenced by the rising number of African countries

7. Tax Transparency in Africa Report, 2022

8. The text and the list of signatories to the Yaoundé Declaration is available at <https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/YaoundeDeclaration-with-Signatories.pdf>.

9. The OECD and ATAF publish on their respective websites, the statements of outcomes from these meetings for future reference.

10. <https://au.int/en/documents/20210708/report-high-level-panel-illicit-financial-flows-africa>

committing to implement AEOI by specific timelines. Furthermore, successful implementation of the AEOI standard by some African countries signals progress to the rest of the continent and dispels the myth that automatic exchange is unattainable for them. Ghana, Nigeria, South Africa, Mauritius, Seychelles offer unique experiences in terms of the knowledge and practical skills needed to overcome the structural and administrative bottlenecks on the CRS AEOI implementation journey.

### 3.2 LINKING AUTOMATIC EXCHANGE OF INFORMATION TO DOMESTIC REVENUE MOBILISATION INITIATIVE

There are strong linkages between CRS AEOI and Domestic Revenue Mobilisation for Jurisdictions that are implementing the standard together with other ancillary benefits as illustrated in subsequent sections of this guide. This linkage therefore must be clearly demonstrated in the design of the business case.

Suffice to say, tax revenues account for only approximately 10 to 14 percent of gross domestic product (GDP) in lower-income countries. This is one-third below the revenue collections by middle-income countries and significantly less than 20-30 percent of GDP raised in high-income countries. This disparity between more economically advanced countries and developing world is often attributed to a lower capacity of tax administrations in developing countries to enforce tax laws and tackle illicit financial flows<sup>11</sup>.

Therefore, one of the main motivations for tackling IFFs originates in concerns about the capacity of

countries in Africa to raise sufficient revenue to invest in achieving the Sustainable Development Goals (Goal 17)<sup>12</sup>. As revenue from customs taxes previously imposed on international trade declines with the introduction of the African Continental Free Trade Area (AfCFTA), there is a growing need to broaden the revenue base. In addition, some African countries suffer from a taxation system that favours MNEs that exploit natural resources and pay taxes in the countries in which their headquarters are located, further narrowing the tax base.

Therefore, personal income tax and, significantly, value-added tax have both become more important sources of revenue in Africa, enough to offset the decline due to lower tariff revenue. Given that CRS AEOI seeks to address non-compliance gaps in relation to wealth and other passive income that should fall within the personal income tax base, then the success of implementation of this tax transparency standard is a critical component of the DRM Strategy.

### 3.3 ASSESSING POTENTIAL STRUCTURAL AND ADMINISTRATIVE BARRIERS TO AEOI IN AFRICAN COUNTRIES

Tax Administrations are often the technical lead for the implementation of CRS AEOI in many African countries. Therefore, it is imperative that Tax Administrations establish, beforehand, the major stumbling blocks to CRS AEOI Implementation that other implementing African countries have faced. From the findings of the Global Forum surveys and key-informant discussions with some countries, the following bottlenecks have been highlighted i.e.;

**a) Political commitment to AEOI** – Building strong political buy-in to unpack the benefit of tax transparency for all African countries has gained traction at regional and international level with ATAF, Global Forum, African Union and other development partners. However, African countries are yet to link AEOI to Domestic Revenue Mobilization (DRM) in order to achieve structural realignment and prioritization in their National Development Agendas.

- b) Resource constraints** – Tax Administrations should invest in technical capacity (preferably establish a dedicated Automatic Exchange of Information Unit) to spearhead and support all technical discussions relating to AEOI in order to build synergies with other stakeholders. Unfortunately, the human resources, institutional capacities and funding required to put in place the necessary processes and infrastructure is still low in Africa. ATAF working with The Global Forum and partner countries have developed technical expertise, which is available to support African countries' participation in AEOI<sup>13</sup>. However, the number of countries demanding this assistance is still low and those countries that have received the technical assistance continue to explore possibilities to make this technical support broader and more practical.
- c) Effective use of AEOI data** – One of the challenges countries implementing AEOI face is to effectively use the data received. Structural challenges may result from the lack of technological tools to achieve sufficient data matching of CRS data with the information in the existing databases. Other complications may result from the lack of training and awareness on the availability and use of this data.
- d) Sensitization and raising awareness about the requirements under the CRS.** The CRS AEOI places different obligations on Account Holders, Financial Institutions, regulators, and the Competent Authority. Therefore, there is need for sensitization and awareness on these obligations at different stages of the project implementation cycle. The sensitization should be two-way i.e. relay information to the stakeholders but also collect feedback and take on board their views and recommendations. Some countries have dedicated CRS AEOI Web portals as a one stop point for any information related to the subject.
- e) Development of an AEOI IT Infrastructure.** The process of collection and transmission of CRS

AEOI information from Financial Institutions to the Tax Administrations for onward transmission to treaty partners requires a robust system. Tax Administrations should, therefore, plan and budget for this IT Solution in their project plan.

In 2014, prior to commencement of AEOI, the Global Forum conducted a survey wherein it was indicated overwhelmingly that information technology investment was expected to be the biggest cost driver of AEOI for a tax administration, followed by human resources.

- f) Integrating the CRS AEOI Due Diligence rules in the Financial Institutions' general Customer Due Diligence and Know Your Client (KYC) procedures.** Financial institutions have ongoing KYC duties under existing Anti-Money Laundering (AML) and Banking laws in their Jurisdictions. Therefore, it is imperative for Tax Administrations to support Financial Institutions in incorporating and aligning these obligations with similar obligations for purposes of CRS AEOI.
- g) Ensuring the correct use of XML files in the reporting procedure.** CRS AEOI reporting is based on the XML Schema which has been designed and published by the OECD. This schema has evolved overtime with the evolution of the Common Transmission System (currently CTS version 2.0). Thus, there is need for Financial Institutions to apply the correct schema to generate the correct XML files.

#### RECOMMENDATION 2:

*For more comprehensive information and guidance about the challenges that countries face in CRS AEOI implementation, Tax Administrations should on a periodic basis review and build their knowledge-base on the CRS-related Frequently Asked Questions<sup>14</sup> which the OECD maintains and regularly updates. This could be integrated into a country-specific CRS AEOI web portal.*

13. Morocco and Tunisia are currently undertaking pilot projects on AEOI with France and Switzerland respectively

14. <https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/CRS-related-FAQs.pdf>

11. <https://www.oecd.org/tax/transparency/documents/plan-of-action-AEOI-and-developing-countries.pdf>

12. [https://unctad.org/system/files/official-document/aldcafrica2020\\_en.pdf](https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf)

### 3.4 RATIONALE FOR THE PRIORITIZATION OF CRS AEOI IMPLEMENTATION

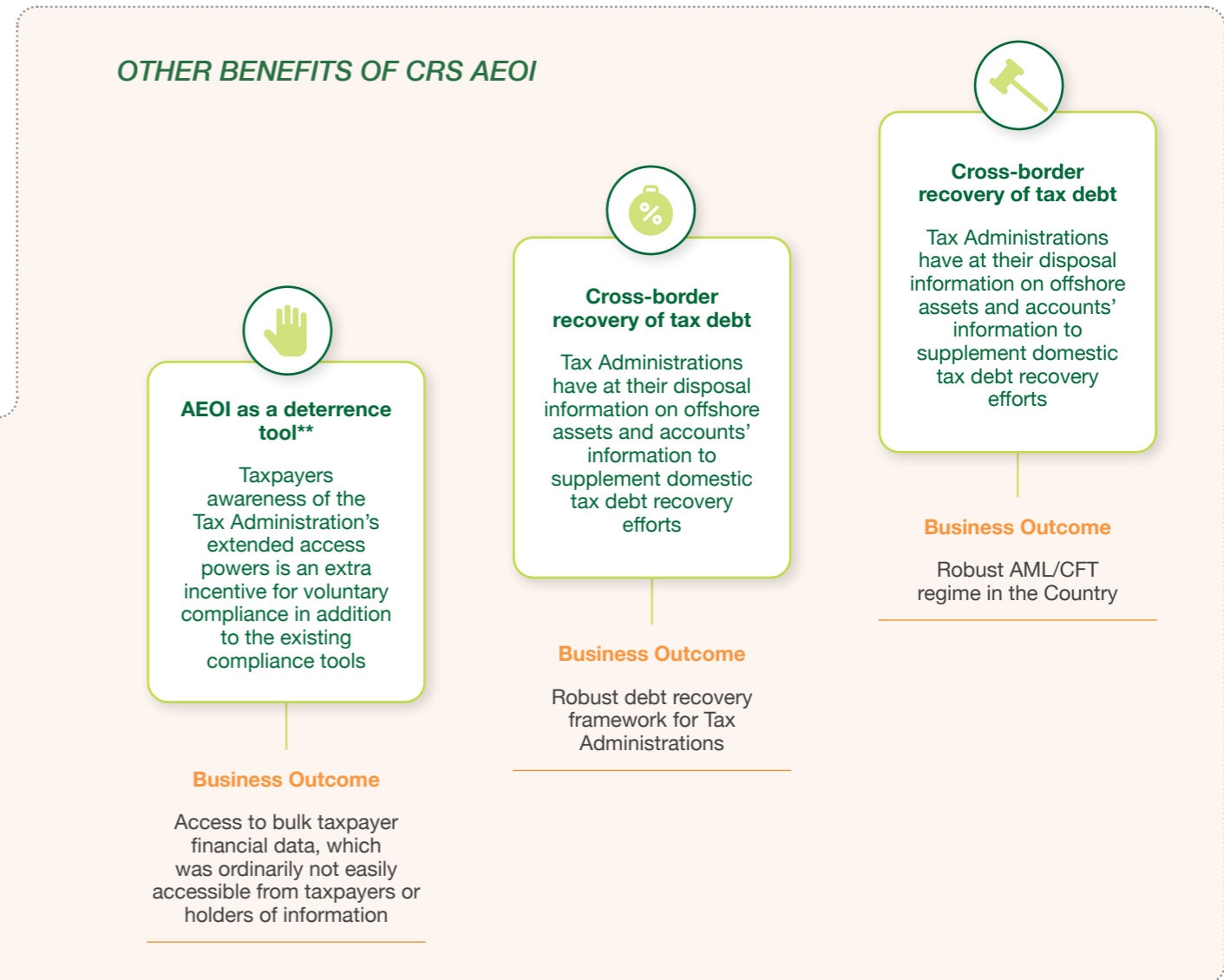
Therefore, in developing a business case for Tax Administrations, a question often arises as to why CRS AEOI should be prioritised among the urgent development needs for the country.

However, it is noteworthy that AEOI has direct revenue gains and other benefits that result from implementation which outweigh the cost.

A number of countries have reported significant revenues from Voluntary disclosure campaigns, audits, investigations and cross-border assistance in recovery of taxes. This makes a strong case for African countries to take steps towards CRS-AEOI with the support of ATAF, the Global Forum and other development partners.

### 3.5 OTHER BENEFITS THAT ACCRUE FOR COUNTRIES IN AFRICA THAT IMPLEMENT THE CRS AEOI STANDARD

CRS data plays a critical role in boosting Tax Administrations' administrative efficiency in revenue mobilisation due to the following attendant benefits;



\* As on 30 April 2019, the Nigeria's "Voluntary Assets and Income Declaration Scheme", which ran from 1 July 2017 to 30 June 2019, helped the tax administration collect nearly EUR 153 million (USD 162 million) of additional revenue. Nigeria reported that the number of taxpayers registered in its systems grew from 14 million in 2016 to 19 million in 2019 in the context of its VDP.

\*\* Voluntary Disclosure is particularly effective, and can generate significant revenue, when it is implemented in advance of CRS AEOI rollout.

#### RECOMMENDATION 3:

Therefore, in developing technical briefs and presentations to key decision makers, Tax Administrations should strike a balance between estimating the revenue potential and other ancillary benefits that AEOI creates for a Jurisdiction as well as the salient risks for a Jurisdiction that fails to implement the tax transparency standards.

## 4 CHAPTER 2

# DEVELOPING THE ROADMAP FOR IMPLEMENTATION OF AUTOMATIC EXCHANGE OF INFORMATION

## 4 CHAPTER 2: Developing the Roadmap for Implementation of Automatic Exchange Of Information

CRS AEOI is a new global standard for exchange of information that requires all members of the Global Forum, aside from developing countries that do not host a financial centre, commit to:

- a) Implement the AEOI Standard;
- b) Commence exchanges by a specific timeline; and
- c) Exchange information with all “Interested Appropriate Partners” .

The business case, highlighted in Chapter 1, should be backed by a comprehensive roadmap and implementation plan detailing the different phases of the project. The stakeholders have been identified for inclusion at both the strategic and operational levels have also been discussed in Chapter 1.

Jurisdictions should consider the following factors while developing the roadmap for CRS AEOI Implementation;

- a) Anticipated timelines for CRS AEOI roll-out in the Jurisdiction.
- b) Availability of Resources in terms of staff, funds and competencies.
- c) IT infrastructural capacity to develop and maintain the AEOI Platform for purposes of registration and reporting.
- d) Availability of a strategy to ensure stakeholders’ readiness and capacity building initiatives for consistent understanding and application of the CRS AEOI.

**Table 2** details the key activities, responsibility centres and timelines that can be referred to by Jurisdictions in developing a high-level roadmap

for CRS AEOI. This template could be reviewed and tailored to the Jurisdiction. Since the roadmap is a high-level plan, the detail can be meshed out in an implementation plan.

The implementation plan is a breakdown of all the activities that will be undertaken in the AEOI implementation process by the AEOI operational team. The pillars of the implementation plan can be designed around the following pillars;

- a) Review of the Legal Framework – This includes both the domestic and international legal framework.
- b) Review of the Organisational Processes and procedures to provide for the requirements of CRS AEOI.
- c) Review and set up of the AEOI IT Infrastructure.
- d) Industry consultations and awareness.
- e) Supervision and enforcement strategy.

Since the implementation of CRS AEOI is cross-cutting within the Tax Administration and across Supervisory and Regulatory agencies of Government, there is need for close coordination and open communication across board. Furthermore, it is imperative that the key milestones set within the roadmap and further broken down in the implementation plan are strictly monitored and adhered to with emphasis on progress reports.

Within the Tax Administration, African countries need to put in place a core team to operationalise the roadmap for CRS AEOI and facilitate strategic decision-making. Similarly, the Competent Authority, being a core member of the High-Level Committee, requires the support and technical advice from the core team comprising of the following members i.e.;

TEAM COMPOSITION	ROLE
<b>a) Head of Tax Administration</b>	Responsibility centre for Tax Administration Corporate Plan where the Automatic Exchange of Information under Common Reporting Standards would be anchored.
<b>b) Head of the Exchange of Information Unit</b>	Provides the technical lead in CRS AEOI implementation. Plays the coordination role between the different project workstreams as well as with the OECD Global Forum and ATAF technical assistance teams.
<b>c) Head of Legal and Policy Affairs in Tax Administration</b>	Provides guidance on the procedure of legislative amendment and guidance to the Tax administration, in consultation with the Attorney General, on the impact of CRS AEOI on existing tax laws and agreements.
<b>d) Head of Business Process and/or IT</b>	<ul style="list-style-type: none"> <li>• Provides a 360-degree view of the IT and Business Infrastructure landscape that might be affected by CRS AEOI reporting</li> <li>• Guides on CRS AEOI IT system development</li> </ul>
<b>e) Head of Operations or Finance workstream in the Tax Administration</b>	Provides financial and human resources for the effective implementation of CRS AEOI standard

The various heads of business in Tax Administration highlighted above form the steering Committee and remain accountable for the strategic direction of the CRS AEOI project. However, depending on the resources available to the Tax Administration, the heads of business should consider putting together a Working Committee (that reports to the Project lead) with representation from their respective operational areas for the day to day work on CRS AEOI. With a strong governance structure in place, African countries can consider themselves ready to design a clear roadmap backed by operational plans.

This roadmap necessarily focusses on high-level themes and challenges in the implementation plan, and is to be used as a baseline for further work. Throughout the process of explaining and

implementing the roadmap, it will be important to build consensus around the country’s overall objective for participation in the Standard.

The successful implementation of the roadmap is likely to be enhanced where Technical support from ATAF and Global Forum is obtained. Capacity building is essential to boost the knowledge and skills of the Working Group and the Core AEOI Team which handles the technical aspects of CRS AEOI.

It is equally as important to secure support from regional leaders amongst jurisdictions that are implementing the Standard and who may be in a better position to offer guidance and share their country experiences.

## 4.1 PILLARS OF THE CRS AEOI IMPLEMENTATION ROADMAP

In practice, jurisdictions need to plan their roadmap around three (03) key building blocks to implement the Standard. These building blocks are:

- a) An international and domestic legal framework
- b) Administrative and IT resources
- c) An appropriate confidentiality and data safeguards framework.

The above building blocks can be pursued in any order or can be pursued in parallel i.e. once a Jurisdiction has committed to implement CRS AEOI by a specific timeline, some activities can commence for example the preliminary assessment of the confidentiality and data safeguards framework assessment. The experience of some countries is that they can take the longest, and so there may be benefits in commencing with that building block.

For better planning and coordination, it is important to phase the different activities under the key building blocks to ensure efficiency and also optimise resources. This approach also enables the Jurisdictions to map out major dependencies between the different activities within the implementation plan and to design the most optimum way to leverage them.

### 4.1.1 PHASE 1 – REVIEW OF THE INTERNATIONAL AND DOMESTIC LEGAL FRAMEWORK

The review and signing of the relevant international agreements, as indicated in the earlier parts of this practical guide, is spearheaded by the Ministry of Foreign Affairs and the Ministry in charge of Finance supported by the Tax Administration. The OECD Coordinating Body provides guidance on the procedure for signing these agreements.

The process of domestication of the international agreements is championed by the Ministry in charge of drafting laws and the Ministry in charge of Finance with representatives from the legal office

in the Tax Administration supported by the technical and specialized members from the CRS AEOI team of the Competent Authority office, the Global Forum and ATAF.

The other agencies that may be consulted during the process is the Ministry in charge of ICT and Data Protection.

The purpose of this phase is to determine whether the review, amendment and implementation of primary and secondary legislation to allow for CRS AEOI can be achieved in time for the CRS exchange. This includes;

#### a) Signing and ratification of the CRS AEOI international legal framework

An international legal framework is needed to govern the exchange of CRS AEOI information between jurisdictions. This comprises two elements i.e.

- An international agreement permitting automatic exchange of information; and
- A Multicompetent authority agreement which sets out the operational procedures for the exchange of CRS data more specifically.

All jurisdictions that have implemented the CRS have signed and ratified the Convention on Mutual Administrative Assistance in Tax Matters as the international treaty for CRS AEOI. The latter has a wide reach in terms of the number of Jurisdictions<sup>16</sup> that a Jurisdiction can access for purposes of CRS AEOI exchanges. Therefore, the MCAA is a very efficient and beneficial instrument to join.

With respect to the second element, the competent authority agreement, all jurisdictions that have implemented the CRS have used the Multilateral Competent Authority Agreement (MCAA), because by signing one agreement, it gives the option to exchange with all other signatories (of which there are currently almost 121).<sup>17</sup>

Ultimately, the process for joining the Convention on Mutual Administrative Assistance in Tax Matters will follow the ordinary process of signing and ratifying of international agreements within a Jurisdiction. The OECD has also set up a procedure at an international level that governs the same. The details of how to become a Party to the Convention on Mutual Administrative Assistance in Tax Matters is available online in the Global Forum toolkit<sup>18</sup>. Jurisdictions that are not yet signatory to the Convention may consider signing both the Convention and MCAA at the same time for Administrative efficiency.

The process for joining the MCAA will depend on the domestic arrangements, but in most cases does not require ratification as a treaty does. For this reason, it is imperative, during the initial stage of the project, for Tax Administrations to consult with and get an official position from the office in charge of international agreements (normally the Attorney General or their designated representative) on the correct procedure for domesticating the MCAA.

Note that there is a separate, second stage for joining the MCAA, which is to activate the MCAA. This is done by filing a series of notifications, which switch on the obligations under the MCAA and allow for exchanges to commence. These notifications include;

- Notification on the finalization of the CRS AEOI legislation and key dates therein,
- Notifications of implementation of the confidentiality and data safeguards requirements,
- Notification of using the Common Transmission System to complete the exchanges, and
- Notification of the other Jurisdictions with which the Jurisdiction would like to exchange CRS information.

Therefore, the process of activation of the MCAA typically comes later in the implementation process, once other building blocks are in place.

## RECOMMENDATION 4

*Several sensitization and awareness engagements may be necessary to bring all stakeholders to the same level of appreciation of the tax transparency standards as well as the domestic processes outside the control of tax administration that affect the success of AEOI implementation. Meetings, trainings and strategy sessions should be held with the Attorney General's Department, the Central Bank, Financial Institutions, Parliament, as well as internal stakeholders such as the key decision makers in Tax Administrations to generate the appropriate goodwill.*

### b) Identifying relevant legislation to enact CRS AEOI into Domestic Law

Domestic legislation for CRS AEOI implementation includes Primary Legislation followed by subsidiary legislation e.g. Regulations, practice notes, decrees and among others. The first point of decision in the developing the domestic legal framework is to determine whether the domestic law will;

- Require Reporting Financial Institutions to apply due diligence procedures to identify and collect information on all Account Holders and Controlling Persons tax resident in any other jurisdiction (wider) approach; or
- Require Reporting Financial Institutions to strictly apply due diligence procedures to identify and collect information on all Account Holders and Controlling Persons who are tax resident in specific Jurisdictions that signed onto the international agreements for CRS AEOI (narrow) approach.

The OECD maintains a list of countries and their respective approaches<sup>19</sup> to the domestic legal framework i.e. whether by narrow or wider approach.

The second point of consideration is for African countries to evaluate and establish whether or not they want to adopt the OECD Common Reporting Standard by reference to the Common Reporting Standard or through a copy-out of the standard. The Standard is

16. [https://www.oecd.org/tax/exchange-of-tax-information/Status\\_of\\_convention.pdf](https://www.oecd.org/tax/exchange-of-tax-information/Status_of_convention.pdf)

17. See details of the MCAA here: International framework for the CRS - Organization for Economic Co-operation and Development (oecd.org)

18. [https://www.oecd.org/tax/transparency/documents/MAAC-toolkit\\_en.pdf](https://www.oecd.org/tax/transparency/documents/MAAC-toolkit_en.pdf)

19. <https://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/#d.en.345489>

not prescriptive on the approach to transpose CRS obligations into domestic law but guides on the need to have binding legislation that is tailored to the domestic legislative context of each jurisdiction.

The by reference approach entails having a few provisions in the primary law and adopting the detail as secondary legislation. The advantage of this approach is that there is a less likelihood of modifying the original text of the standard during the process of enacting domestic legislation.

The copy-out approach is more elaborate and seeks to adopt the entire text of the CRS into primary law with a few adjustments. This is most cases may be by an Act of Parliament. Ghana and Uganda are the two African countries that have taken this approach.

Whether a country adopts the CRS by copy-out or by reference approach, it is highly recommended the legal draft of the domestic legislation is in line with the international standard set by the Global Forum as authors and authority on the standards. Otherwise, any shortfall may affect a country's prospects of exchanging under CRS AEOI. The Global Forum has developed Model Legislation<sup>20</sup> which can be used by a Jurisdiction to develop their Domestic legislation.

The third and final consideration of the domestic legal framework is the choice of the existing law where the CRS AEOI standard should be anchored. Some countries have adopted the CRS as a matter of their Tax Procedures Code Act while others have adopted it under their respective Tax Administration Acts. The choice of the legislation is informed by the intended use of the information i.e. whether for direct or indirect taxes or both. Countries should mirror CRS AEOI standard in the laws that allows for the most effective use of the information for tax purposes without the limitation to the taxes covered by the act under which the obligations have been placed.

Therefore, the CRS AEOI standard should be anchored in the domestic tax statute that allows

the use of CRS AEOI data for all taxes covered by the Convention i.e. both direct and indirect taxes. Otherwise, anchoring CRS AEOI obligations under the income tax act, unless otherwise provided for, may limit the use of the CRS AEOI data to income tax matters.

### RECOMMENDATION 5

*The CRS AEOI standard should be anchored in the domestic tax statute that allows the use of CRS AEOI data for all taxes covered by the Convention i.e. both direct and indirect taxes. Otherwise, this may present legal challenges during the assessment and use of the information.*

#### c) Options within the Common Reporting Standard

The CRS contains optional provisions that Countries may or may not adopt in drafting their domestic legal framework. Most options are intended to provide greater flexibility for reporting financial institutions in carrying out their due diligence and reporting.

Jurisdictions should consult the Financial Institutions on the most effective way of building these options into the domestic law. The optional provisions are explained in detail in Section 6.3 of the Global Forum toolkit for the Implementation of the Standard for Automatic Exchange of Financial Account Information<sup>21</sup>.

#### d) Legal and Practical Considerations that affect design and timing of the Primary and Secondary legislation.

In order for Financial Institutions and account holders to fully comply with the obligations set out in the primary and secondary legislation, the Tax Administration should factor in the time it may require to put in place the appropriate infrastructure including development of their IT System, amendment of their Know Your Client (KYC) documents, recruitment and training of staff among others.

Therefore, the domestic law must be consistent across the several timelines for due diligence and reporting by Financial Institutions. For example, the definitions, due diligence rules and reporting obligations of Financial Institutions are dependent on the timelines set in the international agreement for the first CRS AEOI exchange. In designing the domestic CRS AEOI legal framework, these therefore ought to be given special consideration. Therefore, if the first exchange is to take place in September 2025, then the following timelines would apply, working backwards from that exchange date:

- New accounts are those opened from 1 January 2024; Financial Institutions will need their processes for new account openings to be in place by then
- Due diligence on pre-existing accounts needs to be completed by:
  - 31 December 2024 for high value individual accounts
  - 31 December 2025 for all other pre-existing accounts

This means that for them to have their new account opening procedures in place for 1 January 2024 in the example above, they should be preparing based on the domestic law from mid-2023. In other words, the legislation should be in place more than two years before the first exchange is to take place.

The Global Forum toolkit sets out the key dates to take into consideration when determining the timelines within which the legislation should come into force<sup>22</sup>.

#### e) Ensure sufficient penal provisions are in place for both Financial Institutions and Account Holders to comply with CRS Regulations; and

Under Section IX of the Common Reporting Standard, Jurisdictions are required to put in place rules and administrative procedures to ensure effective implementation of, and compliance with,

the reporting and due diligence procedures set out in the CRS including;

- Rules to prevent any Financial Institutions, persons or intermediaries from adopting practices intended to circumvent the reporting and due diligence procedures;
- Rules requiring Reporting Financial Institutions to keep records of the steps undertaken and any evidence relied upon for the performance of the above procedures and adequate measures to obtain those records;
- Effective enforcement provisions to address non-compliance.

The domestic law-makers should take caution not to superimpose the penal provisions set in tax statutes for purposes of tax on obligations set out in the CRS AEOI. This is because they may not achieve the same outcome i.e.

- The penalties for tax purposes are premised on a tax computation while penalties for purposes of CRS AEOI are premised on failure to comply with obligations under the domestic law for purposes of CRS AEOI;
- The offenses for CRS AEOI purposes may prescribe higher offences for continued non-compliance which may not be the case for similar penalties in the ordinary tax statutes;
- The penalties for tax purposes generally apply to taxpayers, but the penalties for the CRS may need to apply also to persons that are not taxpayers, such as a non-resident person opening an account in the Jurisdiction and that provides false information.

Ultimately, in prescribing offenses and penalties, care has to be taken to ensure that the sanctions created in the domestic law are dissuasive to ensure compliance by Financial Institutions but also to

20. The Model Legislation follows two approaches i.e. By-Reference approach which by definition makes reference to the standard; and the Copy-out approach adopts the full text of the Common Reporting Standard. Model legislation following the by-reference approach is available in Annex C of the Global Forum's AEOI Implementation Toolkit, available at [https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit\\_en.pdf](https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit_en.pdf). Model legislation following the copy-out approach is available from the Global Forum upon request by Jurisdiction.

21. [https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit\\_en.pdf](https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit_en.pdf)

22. Three (03) key factors which must be considered:

1) when the draft legislation introducing the obligations on Reporting Financial Institutions will become law (and take effect)  
2) how much time the jurisdiction wishes to give Reporting Financial Institutions to fulfil the due diligence obligations on Preexisting Accounts  
3) the year in which the first exchanges will be carried out. [https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit\\_en.pdf](https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit_en.pdf)

enable the Jurisdiction pass its CRS AEOI legal framework review by the Global Forum.

**f) Implement confidentiality requirements in line with international standards.**

Confidentiality and data safeguards are one of the key requirements for CRS AEOI under the CRS and there should be clear obligations on this in the primary legislation. The MAAC (article 22) provides for strict confidentiality rules and states that “the information [received] shall in any case be disclosed only to persons or authorities (including courts and administrative or supervisory bodies) concerned with the assessment, collection or recovery of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, taxes”.

The confidentiality provisions in domestic law should apply to current and former tax administration staff and contractors to keep the information, including information obtained pursuant to an international agreement confidential, and penalties for a breach of those obligations. In addition, the taxpayers’ rights and safeguards in regards to confidentiality should not unduly prevent the effective exchange of CRS AEOI information.

**4.1.2 PHASE 2 - ADMINISTRATIVE AND IT RESOURCES - REVIEW AND DESIGN NEW POLICIES AND PROCEDURES**

Tax Administrations need to amend their existing processes or consider setting up new process backed by policies for purposes of CRS AEOI implementation. All policies and procedures should be in line with the confidentiality and data safeguards requirements of the CRS AEOI Standard. The standard is incorporated and further detailed in the Terms of Reference for the assessments, and the assessment questionnaire<sup>23</sup>. The confidentiality and data safeguards assessment is conducted by the Global Forum Panel of experts and a questionnaire is made available by the Secretariat to jurisdictions’ authorized persons upon request.

Before enacting new policies, processes and procedures or amending existing ones, African countries need to make strategic decisions based on the following considerations i.e.;

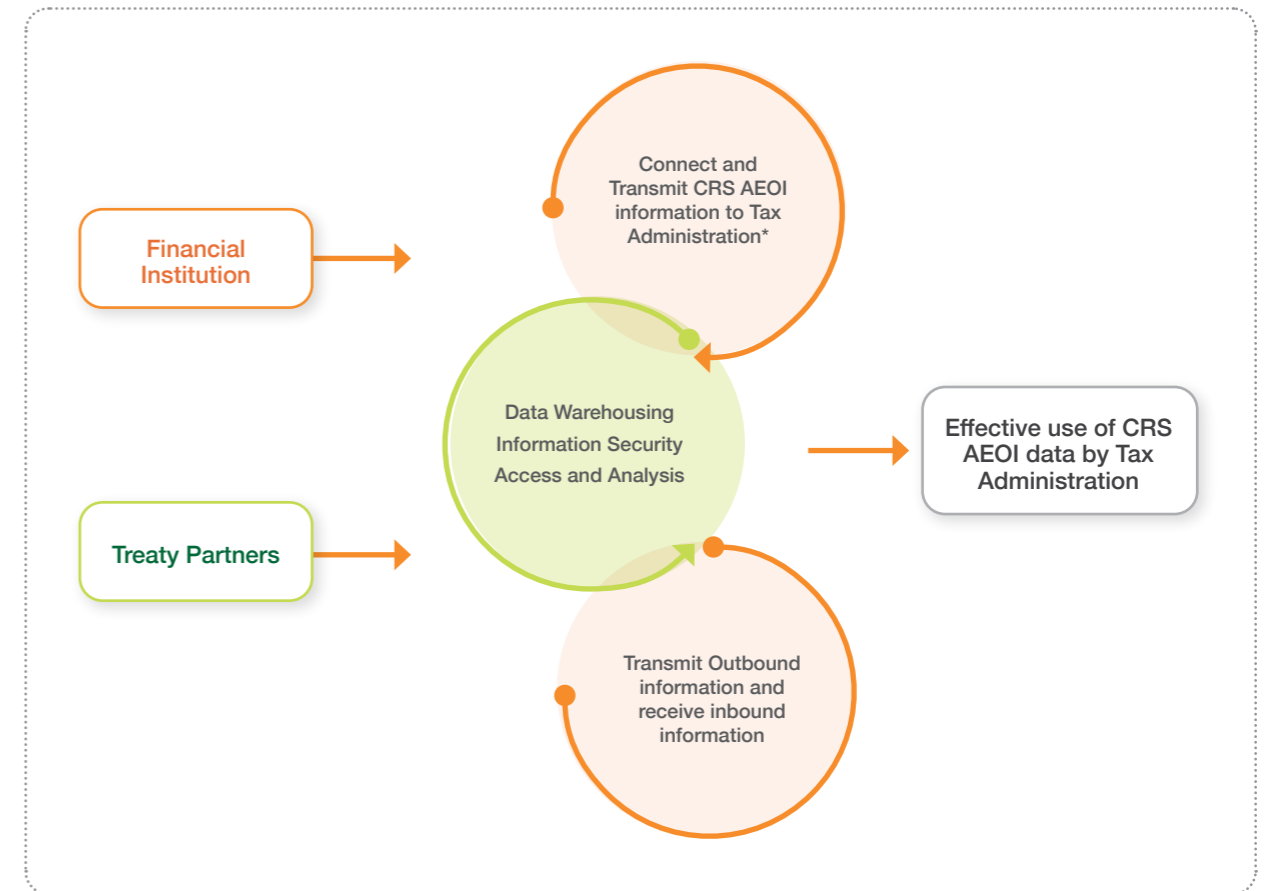
- a) Location of the AEOI unit;
- b) Personnel to be deployed in the AEOI Unit – This would be established after assessing the staff skills and proficiency in the use of the AEOI IT Systems; conducting background checks on each of the staff (including a report on each staff) deployed to work in the AEOI Unit;
- c) Storage of the data i.e. where will the data be stored i.e. in a data warehouse or a separate server; and the suitable business units that will have access to CRS AEOI data;
- d) The end to end process of information security - The level of information security to be applied to information at rest and information in transit in order to make it difficult for the system to be hacked including mechanisms to guard against data loss prevention and to detect information leaks
- e) Additional support functions to compliment AEOI Unit in operationalizing CRS AEOI e.g. Intelligence, IT, Legal. This includes assessing the possibility of putting in place a fully-fledged AEOI unit to run the end-to-end processing of CRS AEOI data.

The strategic decisions, once concluded, inform the processes that govern CRS AEOI implementation. The following are some of processes that Tax Administrations could build on when drafting new or reviewing the existing processes i.e.;

- a) Receiving financial account information from Financial institutions.
- b) Transmitting of CRS AEOI information to treaty partners.

- c) Receiving CRS information from Treaty partners
- d) Data matching and effective use of CRS AEOI data

**FLOW OF CRS AEOI DATA TO THE TAX ADMINISTRATION**



**NOTE**

\* Information from Financial Institutions could be harnessed by Tax Administrations for purposes of verification for CRS AEOI compliance as well as domestic tax obligations including as a source information for incoming requests.

The processes, summarized in the above flow diagram, are critical since they determine the system design, information security considerations and data structure for purposes of data warehousing. The Global Forum has published an XML Schema and user guide<sup>24</sup> on the information required to be

included in each CRS data element to be reported in the CRS XML Schema.

The baseline project plan could focus on the list of policies laid out in **Table 4** – which is neither exhaustive nor conclusive. Depending on the local

23. The Terms of Reference can be accessed at [www.oecd.org/tax/transparency/documents/confidentiality-data-safeguards-assessments-tor.pdf](http://www.oecd.org/tax/transparency/documents/confidentiality-data-safeguards-assessments-tor.pdf).

24. <https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/schema-and-user-guide/>



context and setup of a Jurisdiction, there may be additional factors to consider.

Furthermore, new policies and procedures must be developed where the preliminary Information Security Management (ISM) focused gap analysis has led to some deficiencies being identified and recommendations for them to be addressed are made. The Global Forum will conduct an information security assessment to ensure the Jurisdiction meets the enhanced confidentiality standard under AEOI as well as to ensure policies and procedures as described above are in effect.

The aspects on confidentiality and data safeguards assessment apply to the Tax Administration in its entirety. Therefore, it is critical for the Tax Administrations to ensure all standards are met across the organization including within the offices where AEOI Unit. As an alternative, the concept of a “Secure Perimeter Framework” can be pursued – where the policies and procedures will apply only to a specific division that is solely responsible for handling the CRS data.

This decision is critical and has significant cost and time implications i.e. if the country uses the whole of the organization approach, it may be difficult and costly to secure information across the entire organization to meet the strict requirements of Information Security Management which will focus on where the information will be received, transmitted, used and stored.

The review and development of new policies and procedures is a process that can commence immediately, at least with the help of the Global

Forum, to assess how much work is required and therefore gain a realistic assessment of the likely overall timeframe. Other aspects that may affect this phase may include; but;

- a) Status of AEOI legislative reviews
- b) Maturity of the existing information technology architecture

It is imperative that in order to meet the Global Forum’s review, all policies and procedures in relation to CRS AEOI are in line with the requirements, and formally approved by the Tax Administration.

#### 4.1.3 PHASE 3 - APPROPRIATE CONFIDENTIALITY AND DATA SAFEGUARDS FRAMEWORK

The Confidentiality and Data Safeguards (CDS) assessment for reciprocal CRS AEOI conducted by the Global Forum analyses the Tax Administration’s implementation of the core requirements and sub-requirements (SRs) of the CDS assessment Terms of Reference (ToR).<sup>25</sup> The assessment can be initiated by a Jurisdiction upon request to the Global Forum. Under the Global Forum’s agreed methodology, the assessment is based on a Jurisdiction’s completed CDS assessment questionnaire, and discussions held with the relevant stakeholders.

This implies that a Jurisdiction which intends to engage in reciprocal CRS AEOI must have a mature system for confidentiality and data safeguards when the assessment takes place. The assessment of maturity is as below;

MATURITY LEVEL	INDICATION
Insufficient	Necessary actions are not implemented
Informal	Actions are in place but not described through defined processes
Convincing	Actions are carried out through defined and documented processes
Mature	Actions are formally executed, documented and reviewed through a Plan Do Check Act (PDCA) approach

Further details on the questionnaire, assessment criteria and rating of a Jurisdiction can be found in the Global Forum Confidentiality and Information Security Management Toolkit. The Global Forum can also provide an informal, pre-assessment as technical assistance, whereby experts can advise on the current state of readiness of the jurisdiction, as well as what changes would be needed. That allows the jurisdiction to make the changes, with the help of the experts, before commencing the formal review.

This a difficult and time-consuming process that requires the active participation of all stakeholders that play a role in securing information. This may also need the support of external agencies like central bank, Ministry in Charge of IT in order to provide some guarantees on the compliance of Financial Institutions with the requirements of the standard and quality of CRS Exchanges in practice.

#### 4.1.4 PHASE 4 - DESIGN AND IMPLEMENTATION OF THE AEOI INFORMATION SECURITY INFRASTRUCTURE

African Countries must develop action plans to address the information security gaps identified by the Information Security Management Assessment based on the information security risks and intended

users of the AEOI data. This security framework may not cover the entire Tax Administration given the time that African countries have to implement CRS AEOI and the availability of resources.

Therefore, a staged approach could be considered and a secure perimeter module adopted as Tax Administrations work towards an enterprise wide adoption of the action plan. The AEOI Unit should closely work with information security teams throughout the process.

#### RECOMMENDATION 6

*African countries should consider technical assistance with the Global Forum on Information Security Management prior to undertaking their CDS Framework assessment. Global Forum Also organizes communities of practice for ISM experts within Tax Administrations to share experience and best practices with Global Forum experts and the Global Community on specific topical issues.*

25. Core Requirement (CR) 3 of the AEOI peer review process deals with CDS. CR 3 unfolds into three essential building blocks (CRs 1-3) that should be in place, which in turn unfold into nine Sub requirements (SRs). The SR are listed in the Terms of Reference, and outlined in more detail in the CDS assessment questionnaire and the Global Forum’s Confidentiality and ISM Toolkit, available at: [http://www.oecd.org/tax/transparency/documents/confidentiality-ism-toolkit\\_en.pdf](http://www.oecd.org/tax/transparency/documents/confidentiality-ism-toolkit_en.pdf)

## 4.2 RESOURCE CONSIDERATIONS IN IMPLEMENTING CRS AEOI

The process of acquiring the adequate resourcing for CRS AEOI implementation can take time and so African countries need to start negotiations regarding resourcing needs well before the actual project implementation starts. It is important for a Jurisdiction to note from the start that once a formal commitment to implement AEOI is made and the requisite International Agreements signed, then certain obligations and duties are triggered. Therefore, any considerations made and decisions taken in relation to the effective CRS AEOI implementation (whether cost-related or otherwise) must be aligned with the following obligations and duties that are similar for all Jurisdictions implementing CRS AEOI;

- a) Put in place, before the first exchange takes place, appropriate safeguards to ensure that the information received pursuant to an International Agreement remains confidential and is used solely for the purposes it is furnished.
- b) Set up the infrastructure for an effective exchange relationship (including established processes for ensuring timely, accurate, and confidential information exchanges, effective and reliable communications).

- c) Promptly resolve questions and concerns about exchanges or requests for exchanges.

The above duties and obligations are summarised in the Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority on Automatic Exchange of Financial Account Information.

Notwithstanding the above, the cost of implementation of the CRS AEOI has been of major concern for both developed and developing countries since the inception of the standard in 2014. The cost implications of the Standard vary for each country, depending on the following factors;

- a) Current state of readiness.
- b) Scope of information exchange and receipts likely to occur.

In order to establish the state of readiness of the Jurisdiction, the following factors should be evaluated;

RESOURCE REQUIREMENTS	JUSTIFICATION	ASSESSMENT OF READINESS
<b>Financial Resources</b>	Implementation of CRS AEOI requires; <ul style="list-style-type: none"> <li>• Annual Subscription to Global Forum</li> <li>• Annual subscription to the use of the OECD Common Transmission System</li> <li>• AEOI Project set-up and management</li> <li>• Annual budget for AEOI programs and events e.g. trainings, benchmarks, regional events e.g. ATAF Competent Authority meetings, Global Forum Competent Authorities' meeting etc.</li> </ul>	A Jurisdiction which already has in place an EOI Unit and subscribes to the Global Forum has at their disposal, technical assistance for project setup, implementation and access to wide network of Peers.

RESOURCE REQUIREMENTS	JUSTIFICATION	ASSESSMENT OF READINESS
<b>IT Resources</b>  e.g. CRS AEOI IT system, hardware, physical and logical access controls	CRS AEOI exchange is an automated process that happens in a highly secure system to system communication environment i.e. between: <ul style="list-style-type: none"> <li>• Financial Institutions and the respective Tax Administrations in their Jurisdiction; and</li> <li>• Tax Administration to Tax Administration (Under an international Agreement for CRS AEOI)</li> </ul>	Tax Administrations that already have IT resources (API or web-based interfaces) to exchange Financial Account information with Financial Institutions may consider expanding on this scope to include information for CRS AEOI exchanges.  Tax Administrations with Integrated Tax Administration Systems can easily map the AEOI data against their domestic tax register to achieve good data matches.  Tax Administrations with ISO31000 and ISO270051 certification are at an advantage in terms of meeting the requirements of the Global Forum Confidentiality and Data Safeguards Framework.
<b>Human Resources</b>	AEOI is highly technical area and so it requires people with the following competences; <ul style="list-style-type: none"> <li>• Exchange of Information standards</li> <li>• Project Management</li> <li>• Legal</li> <li>• Data Analytics</li> <li>• International taxation</li> <li>• Business Intelligence</li> <li>• Tax Administration</li> </ul> AEOI Office are closely supported by specialised teams in IT and Business Architecture.  AEOI may also involve benchmarks so costs of travel, the project office or facility costs, project staff training and transition period costs should be factored into the overall project cost.	A Jurisdiction with staff equipped with EOI knowledge and practice could consider themselves partially ready to start CRS AEOI.  Otherwise, there is need to recruit and train these staff. Use of full-time or dedicated resources on the project is recommended instead of several part-time resources.
<b>Administrative Costs</b>	<ul style="list-style-type: none"> <li>• A Jurisdiction can apply information security parameters when AEOI is setup in a secluded office with restricted access</li> <li>• Office setup</li> <li>• Postal, phone and internet costs</li> </ul>	Tax Administrations have to assess the level of priority associated to CRS AEOI setup and management due to the level of risk associated with treaty exchanged information

RESOURCE REQUIREMENTS	JUSTIFICATION	ASSESSMENT OF READINESS
<b>Other Costs</b>	<p>AEOI being a new concept for many African countries, there is need for;</p> <ul style="list-style-type: none"> <li>Stakeholder engagement and sensitizations e.g. law makers, Regulators and Associations of the Financial Industry, public</li> <li>A Voluntary Disclosure Campaign to encourage taxpayers with offshore wealth to self-correct.</li> <li>Contingency plan to minimise the risks of delays (subject to appropriate governance arrangements)<sup>26</sup></li> </ul>	<p>Jurisdictions that already have the following facilities may consider leveraging them;</p> <ul style="list-style-type: none"> <li>Integrating CRS AEOI developments in the training and awareness workplan of the Tax Administration</li> <li>Integrating CRS AEOI Voluntary Disclosure Program in the wider VDP program with some modifications where necessary</li> </ul>

While planning the CRS AEOI implementation project, Jurisdictions must take into consideration;

- a) The vendor’s and other stakeholders’ preferences and views, in particular on key risks for example cost of AEOI System development on the financial institutions, which gather and provide the information to be exchanged;
- b) Cost of AEOI System development on the tax administration which verifies and transmits the information to treaty partners as well as manages and uses the information received from treaty partners.
- c) The time and effort needed for development, testing and training, deployment which can often be underestimated
- d) Dependencies with other ongoing projects, for example competition for resources, the availability of staff etc.
- e) The best timing from a resource availability point of view for example, end-user training may not be possible during the peak season for tax assessments and collection or in holiday periods when staff take leave. Tax Administrations should avoid milestones that coincide with critical deadlines in normal administration work.

institutions and government are summarised in **Table 3**. This analysis provides some reference points when determining the lead time for system development, testing and deployment.

One (01) of the approaches that developing countries could take in reducing specific costs include implementation of CRS AEOI with similar standards all executed under the Exchange of Information Office e.g.;

- a) AEOI involving Country-by-Country Reports by Multinationals (CbCR) under BEPS Action 13;
- b) Exchange of Tax Rulings under BEPS Action 5;
- c) Foreign Accounts Tax Compliance Act (FATCA);
- d) Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard;
- e) Model Reporting Rules for Digital Platforms; and
- f) Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures implementation and other reform efforts.

This approach is associated with cost and administrative efficiencies arising from the following;

- a) Some elements of the CRS AEOI implementation

A summary of the cost considerations for financial

26. <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/introducing-a-commercial-off-the-shelf-software-solution.pdf>

can be leveraged with relative ease to setup the adequate administrative framework for exchanges (and receive information) under other standards as listed above<sup>27</sup>.

- b) Low risk of duplication of efforts in a Jurisdiction through centralisation of tax transparency initiatives across the Tax Administration.

However, translation of the above standards into domestic legal framework to support development of an enabling IT System is complex and may require a versatile technical team equipped with diverse knowledge and technical support, in the above areas, to get it right.

Additionally, Tax administrations should not solely rely on vendors or third-party service providers for guidance on AEOI IT System Development. Instead, they should also consider benchmarking with other organisations that have CRS AEOI IT Systems in place to develop a clear understanding about what is required to keep to the project on schedule.

A number of African countries have engaged pilot projects as a recommended way of gaining more knowledge about the CRS AEOI and the

implementation approaches. This has proved quite helpful in creating realistic schedules.

**RECOMMENDATION 7:**

*ATAF and Global Forum working with development partners support technical assistance programs for countries that are interested and committed to engage in bilateral pilot projects with countries that have advanced in CRS AEOI implementation.*

**4.2.1 SPECIFIC COSTS FOR CRS AEOI IMPLEMENTATION**

**a) AEOI IT System Development – Team Composition**

The cost of an AEOI IT System development project (whether done internally or outsourced), is a core element for successful AEOI project implementation. Otherwise, this opens up the project to risks such as cost overruns and missed deadlines among others. Therefore, African countries should consider putting in place adaptative people with the right attitude and skillsets as a core of the AEOI IT System development team. Some of the skills needed for this team comprise the following;

ROLE	COMMENTARY
<b>a) Technical expert in Automatic Exchange of Information</b>	<p>Familiar with domain knowledge of the CRS AEOI and the domestic law in relation to the same. Global Forum and ATAF offer technical assistance to build competence in Tax Administration.</p> <p>Provides input into the user-specification documentation for AEOI IT System Development cycle</p> <p>Note: The volume and complexity of CRS AEOI legislation and the level of automation required can potentially have a major effect on the duration of the project</p>
<b>b) Subject Matter Experts (SME)</b>	<p>Subject matter experts in charge of business process documentation in the Tax Administration including CRS AEOI requirements, rules, testing, training and writing the user procedures.</p> <p><b>Note:</b> One SME may be needed for every process listed above but there should be an overall head of SMEs who is responsible for the process as a whole, and acts as a team leader for other SMEs and technical experts included in the business process team.</p>

27. The IT tools, reporting system and confidentiality and data safeguards are broadly similar across these standards, and so once implemented for CRS AEOI, implementation of other standards becomes more straightforward and less costly.

ROLE	COMMENTARY
<b>c) Technical experts</b>	<p>These include;</p> <ul style="list-style-type: none"> <li>• Technical experts in charge of technical environment and software set-up and maintenance</li> <li>• Software developers in charge of building the software solutions</li> <li>• Information Security</li> <li>• Procurement to undertake market research and advise on procurement principles and selection criteria for system development*.</li> </ul>
<b>d) Coordination and support</b>	<ul style="list-style-type: none"> <li>• Team and project management experts</li> <li>• Coordinators that support the process teams on cross-functional areas, e.g. integration, data architecture, conversion, interfaces, testing, reports and training.</li> </ul>

\* The CRS AEOI standard is constantly evolving and so are the IT solutions. Therefore, knowledge of new developments is important before commencement of public procurement

### RECOMMENDATION 8;

African countries should also consider a high-level resource plan, which assesses the competence levels and identifies skills gaps and training needs as soon as the idealisation and visualization of the scope and schedule of the project is done.

#### b) Criteria for evaluating options for system development

In evaluating the most suitable approach to AEOI System development, the Tax Administration may evaluate the following options i.e.;

- In-house AEOI System development
- Leasing/renting of AEOI system from external vendor
- A hybrid system that combines external system developers with internal IT staff capacity

Tax Administrations should weigh the pros and cons of each approach highlighted above before a decision is taken. The factors highlighted below (in no particular order) could be considered i.e.;

- **Availability of technical staff to develop, maintain and continuously update software.**

Some Tax Administrations may have the adequate staff to dedicate to this work while others may experience challenges with employee retention to keep the original developers involved or competing priorities with other internal IT-projects that may affect progress on CRS AEOI.

- **Knowledge and skills transfer.** This aspect is critical when evaluating the leasing option or hybrid option of development against inhouse development. Therefore, within the plan, there must be an element of change management and knowledge transfer for Tax Administration staff that are involved in the day-to-day use of the CRS AEOI system in order to minimise the risk of high dependence on external vendors.
- **Cost of system development.** The decision on the approach to system development must take into consideration the cost versus the benefit of CRS AEOI implementation to ensure value for money. Different software vendors and developers have designed payment structures for acquisition and use of their systems from monthly subscriptions to outright purchase of the right to use the software. Similarly, in-house solutions may be designed to leverage the existing resources in a secure manner e.g. data

warehousing, servers and security parameters without having to incur additional costs in procuring hardware and software to support an off-the-shelf system.

- **CRS AEOI System Security.** Whatever approach is taken, the ultimate system that is developed must be secure enough so that it does not introduce security risks into the Common Transmission System (CTS) which is the system used by all countries for CRS AEOI exchanges. The OECD CTS Secretariat conducts several security tests on a Jurisdiction's IT system before it is cleared to integrate with the CTS.
- **Timelines.** CRS AEOI IT system development is part of the wider implementation project and should therefore be subject to strict deadlines and milestones for the entire project to succeed. Software testing may never cover all the unique situations encountered during actual use over many years. Therefore, it should be carefully planned and integrated into the system development lifecycle.

Of the developing countries that have implemented the CRS, most have acquired an external system. This is because unless there is already a strong team of in-house IT developers, building a system in-house can come with risks and time delays and ultimately resource implications. When the decision is finally taken, then the Tax Administration may rely on their internal software/system development lifecycle and the XML schemas that the OECD has published in relation to the different kinds of Automatic Exchange of Information. See Table 5 for a checklist of some high-level activities in relation to CRS AEOI system development.

#### c) Subscription and use of Common Transmission System for AEOI

The CTS is the transmission system through which all CRS jurisdictions exchange data. This can be done either through a manual upload or via a Secure File Transfer Protocol (SFTP). The CTS is therefore a key step in the CRS exchange process and is administered by the CTS Secretariat<sup>28</sup>.

Jurisdictions preparing to use the CTS need to consider the technical documentation, which provides important information on how to access and link domestic AEOI Portals to the CTS. As the technical documentation includes confidential information, the OECD requires that a User Agreement be in place before access to this documentation can be given.

The recently published AEOI implementation toolkit includes some helpful information to consider in the development of an AEOI Portal and details on the role of the CTS in performing AEOI exchanges.

All Jurisdictions that use the CTS pay a base fee for the maintenance of the system. Since this is an annual cost, it must be factored in the annual budget of the AEOI Unit. Other budget line items could include subscriptions to other organizations, license fees to facilitate the AEOI IT i.e. encryption licence, CTS Licenses, Hardware acquisition, enterprise budget to maintain and service the AEOI system, support service fees among other contract fees for Jurisdictions that have purchased an off-the-shelf AEOI IT solution.

Due to the considerably high cost for CRS AEOI IT system, there is need to justify the need for investment by quickly processing the information to ease revenue flow from this initiative.

28. For more information about the CTS, contact CTS Secretariat via email [cts@oecd.org](mailto:cts@oecd.org)

## 5 CHAPTER 3

### IMPLEMENTATION OF CRS AEOI

## 5 CHAPTER 3: Implementation of CRS AEOI

The exchange of Information under the CRS AEOI standard happens once every year i.e. 1st September. This exchange applies to countries that have completed the following mandatory steps i.e.;

- a) Formally committed in writing to exchange CRS AEOI by a specific date through the Global Forum;
- b) Put in place international and domestic legal framework for CRS AEOI;
- c) Undertaken and passed the Confidentiality and Data Safeguard assessment by the Global Forum;
- d) Put in place the IT infrastructure to exchange information via the CTS; and
- e) Filled in and submitted through the Coordinating Body Secretariat all the necessary notifications

to their treaty partners of their intention to undertake CRS AEOI exchanges.

Each of the above steps is important because countries have to receive the necessary guarantees through the Global Forum that all Jurisdictions that exchange CRS AEOI data have the appropriate legal and administrative framework in place to support the exchange.

Additionally, some Jurisdictions' laws require them to update their list of participating Jurisdictions for purposes of CRS AEOI exchanges through a gazette before any information is relayed. This implies that if a Jurisdiction does not notify their treaty partners of their intention to implement CRS AEOI on time i.e. at the start of the report period (or slightly after depending on the technical advice from the Global Forum), that Jurisdiction may not be able to engage in reciprocal exchange with all treaty partners in the first year of exchanges.

### 5.1 OTHER CONSIDERATIONS AT THE IMPLEMENTATION PHASE

#### a) Voluntary Disclosure prior to first CRS AEOI exchanges

After setting up the legal framework and before the actual exchange of information starts, Tax Administrations should consider running an amnesty program.

A tax amnesty is an opportunity extended to taxpayers by statute to come forward and settle an existing tax liability, including in certain cases interest and penalties, usually by paying a defined amount<sup>29</sup>.

African countries may consider granting tax amnesty through different policy options i.e.;

- Tax amnesty for only a limited period of time,
- Tax amnesty built as a permanent feature of a tax regime subject to a taxpayer fulfilling certain conditions.

- Tax amnesties may be general – covering all taxes and all taxpayers – or restricted to certain groups of taxpayers or taxes.

Broadly, tax amnesties usually involve waiving criminal and civil penalties.

Voluntary Disclosure as a form of tax amnesty should be considered as an integral part of the wider compliance strategy of the Tax Administrations i.e. from the point when Tax Administration commences industry consultations on the legal framework, taxpayers should be able to perceive the eminent threat of disclosure of their offshore wealth and respond positively to the call for Voluntary Disclosure.

Therefore, by understanding the taxpayer segments in terms of their behaviour and motivations, Tax Administrations are then able to set up avenues

through which these non-compliant taxpayers can be brought back into compliance. Several African Tax Administrations that have implemented Voluntary Disclosures in relation to CRS AEOI have registered significant benefits. The toolkit on AEOI implementation contains specific guidance on the benefits of Voluntary Disclosures<sup>30</sup>.

#### RECOMMENDATION 9:

*African countries consider dedicating resources for purposes of CRS AEOI Voluntary Disclosures in order to gain from the early fruits of the AEOI implementation journey. As a result of the revenues from the Voluntary Disclosure Program, African countries are able to demonstrate the benefit from AEOI even before the first exchanges take place.*

#### b) Practical Exchanges – What data to expect

All Jurisdictions that conduct CRS AEOI exchanges must conform with the specifications set out in the CRS XML schema to ensure successful exchange of data through the Common Transmission System (CTS). The CTS does not store files, rather, the information rests there for a validity period of seven (07) days within which countries must plug into the system and download the files.

It is advisable for Jurisdictions to review the information received for accuracy and completeness before transmitting the information to treaty partners. This can be achieved by design or by default. During system design, inbuilt validation checks can be integrated within the CRS AEOI analytics tools to ensure that only data which meets a certain standard is uploaded by Reporting Financial Institutions. The other way could be to set certain data field by default to be mandatory data fields in the reporting templates in line with the domestic CRS AEOI legislation and XML Schema.

Experience has shown that some countries have experienced challenges transmitting data that does not meet the standards. This has resulted in lower quality of data matching. Jurisdictions need to invest in tools that have Artificial Intelligence to record to analysis steps and replicate the search

criteria across a broader sense of data. Where the problem persists, the Jurisdiction may consider a bilateral discussion with the sending Jurisdiction to provide feedback and seek help with the quality of the data.

Similar requirements in regard to accuracy and completeness of exchanged information are placed upon the Jurisdiction that is sending CRS AEOI data to the receiving countries. Therefore, once a Jurisdiction has received CRS AEOI information from treaty partners, the information has to be validated for completeness and accuracy before it is accepted into the domestic CRS AEOI system of that Jurisdiction.

It is important to log all issues arising from the process of transmission of CRS AEOI data due to the following reasons;

- Countries that participate in CRS AEOI exchanges value feedback from their treaty partners' experience for purposes of improving their administrative efficiency. This is also due to the fact that the OECD Global Forum has designed an AEOI Peer Review mechanism to ensure effective implementation of the CRS AEOI standard which is based on Peer experiences with the CRS AEOI exchanges.
- Internal system reviews and incident logs are required as part of best practice. Logs should contain the title (briefly describing the issue); priority (from system critical to low); type (change, correction etc.); area (system area); and a more detailed description, including an assessment of the impact of the desired correction or change. Once an issue is resolved, the log should be closed off with detailed description of how it was resolved.

#### c) Reciprocal versus non-reciprocal exchanges

Some countries engage in CRS AEOI exchanges on a reciprocal basis while other engage on a non-reciprocal basis i.e. non-reciprocal jurisdictions send but do not receive CRS data unlike their reciprocal

29. <https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/15883/ATAP21.pdf?sequence=3&isAllowed=y>

30. Pg 42 of the Toolkit for the implementation of Automatic Exchange of Information ([https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit\\_en.pdf](https://www.oecd.org/tax/transparency/documents/aeoi-implementation-toolkit_en.pdf)) details the rationale for implementing a Voluntary Disclosure Program

partners. As the African countries implementing CRS AEOI, this has to be factored into the design of the system and eventual CRS AEOI exchanges to ensure that CRS AEOI data is only sent out to those Jurisdictions that have committed to reciprocal CRS AEOI exchanges.

#### d) Pre-population of tax returns

As Tax Administration system matures, Jurisdictions may consider integrating data from CRS AEOI into the system for purposes of prepopulated tax returns for some categories taxpayers.

#### e) Integrating AEOI in Compliance – Maturity Model

African countries should ensure that CRS AEOI exchanged data becomes a substantial part of the information available to the Tax Administration for purposes of compliance reviews. This requires extensive data matching tools and techniques that

are able to link the information available in all Tax Administration databases with the CRS AEOI data.

The Global Forum toolkit on CRS AEOI implementation suggests steps through which CRS data can be integrated into the domestic compliance strategy i.e.

- Data validation
- Cleansing
- Matching
- Use of CRS AEOI Data
- Strategy to deal with unmatched data

See **Appendix 4** for a detailed flow of the effective use of information.

## 5.2 HALLMARKS FOR GOOD GOVERNANCE AND INFORMATION MANAGEMENT

CRS AEOI standard benchmarks standards and practices that have been widely recognised and applied by Tax Administrations worldwide i.e. Information Security Management (ISO/IEC 27000-series), international risk management (such as ISO 22301 and ISO 31000), business continuity (ISO 22300:2018) and disaster recovery planning (ISO 26511:2018).

Therefore, recommendations listed below draw from the standards and publications that guide the hallmarks of good governance in tax administration, especially:

- a) The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations. This includes that use of CRS AEOI as a key information source to build knowledge of compliance levels and risks in respect of core taxes, taxpayer segments, and key tax obligations (registration, filing, payment, and accurate reporting in declarations)<sup>31</sup>.

- b) Internal controls i.e. internal policies, procedures, and systems to protect the Tax Administration's CRS AEOI IT systems from error and fraud, safeguard its assets and records, and ensure compliance with laws.

- c) IT system controls to detect incidents that threaten the confidentiality and integrity of tax administration data for example access logging to enable audit trails and detect changes made to CRS AEOI data. Other tools could include intelligence-led approaches to investigations by internal audit, periodic review and analysis of system-generated reports and other audit tools.

- d) An internal audit unit that provides assurance to senior management or board of directors of the soundness and level of adherence to the Tax Administration's internal controls, risk management, and governance frameworks.

- e) Data Governance Policies that guide on the processing of CRS AEOI data to ensure responsible data handling i.e. access, use and disposal. These policies should be in line with the National and International Data Strategy as well as Data Protection and Privacy laws and standards.

- f) Framework for Statistical Analysis and Reporting. CRS AEOI is a source of critical data for decision making, monitoring and evaluation as well as national and international statistical reporting. The Tax Administration should maintain tax transparency-related statistics for the organization, while preserving confidentiality and data integrity for purposes of consistent reporting at all levels. Tax Administrations could consider conducting a survey of data needs for all stakeholders which would then be analysed and incorporated as system reports when designing data analytic reports from the CRS AEOI System.

- g) Appropriate use of CRS AEOI data for non-tax

purposes. Tax Administrations usually have domestic frameworks for cooperation with other Regulatory, Supervisory and Law Enforcement Agencies including sharing of information. However, since CRS AEOI data is governed by both international agreements and domestic laws, Tax Administrations should ensure that the information is not disclosed to persons that are not covered by the laws and agreements. Otherwise, this can have severe consequences for both the sending and receiving Jurisdictions and Authorities e.g. suspension of all exchanges of CRS AEOI data with treaty partners, legal action by taxpayers among others.

The above controls are subject to review by the Global Forum through a comprehensive Peer Review process as a precondition for a Jurisdiction to engage in reciprocal CRS AEOI exchanges (Pre-Exchange Confidentiality and Data Safeguards Assessment) and Post-Exchange Confidentiality and Data Safeguards Assessment.

## 5.3 PROCEDURE FOR POSTPONEMENT OF EXCHANGES

There are incidences where Jurisdictions are not in position to meet their commitment dates due to some setbacks in their implementation plans for example failure to setup the appropriate legal framework in time for the CRS AEOI exchanges with treaty partners.

The Global Forum requires Jurisdictions to notify the OECD Secretariat as soon as they become aware of these extenuating circumstances through a formal

letter of postponement of commitment. The Global Forum, upon receipt of this communication, relays the same to the other treaty partners.

Other unique scenarios have arisen in the past after the commencement of CRS AEOI exchanges that have led to deferral of the exchanges for Jurisdictions including natural disasters like hurricanes and the COVID-19 pandemic.

31. Tadat Field Guide 2019 (<https://www.tadat.org/assets/files/TADAT%20Field%20Guide%202019%20-%20English.pdf>)



## **6** CHAPTER 4

### **MANDATORY PRE AND POST CRS AEOI EXCHANGE REVIEWS**



## 6 CHAPTER 4: Mandatory Pre and Post CRS AEOI Exchange Reviews

The Global Forum has put in place Terms of Reference as part of the peer review process to ensure the effective delivery of the AEOI Commitments (the AEOI Reviews). These reviews provide all CRS AEOI peers with the assurance that all jurisdictions are delivering on the requirements of the AEOI Standard for the standard to be an effective tool to tackle cross border tax evasion and improve compliance on the basis of a level playing field.

### 6.1 CORE REQUIREMENT 1 – REVIEW OF THE LEGISLATIVE FRAMEWORK AND ITS EFFECTIVENESS IN PRACTICE

The Terms of Reference require Jurisdictions to put in place a domestic legislative framework that requires all Reporting Financial Institutions to conduct the due diligence and reporting procedures in line with the CRS, and that provides for the effective implementation of the CRS as set out therein.

The domestic legal framework must be exhaustive in terms of the following parameters i.e.;

- a) Correctly define the scope of Financial Institutions that are required to collect and report information in line with CRS to the tax Administration (Specific Requirement 1.1);
- b) Correctly define the scope of financial accounts to be reported and the respective customer due diligence and reporting processes and procedures for Financial Institutions (Specific Requirement 1.2 & 1.3);
- c) Set out penal provisions for breach of the obligations arising from the incorporation of the CRS in the domestic law including mechanisms to ensure that the CRS is implemented effectively by Reporting Financial Institutions and the Competent Authorities in practice (Specific Requirement 1.4 & 1.5).

The AEOI Reviews are broken down into three (03) Core Requirements, each with aspects relating to legal implementation and effectiveness in practice. It is against these Terms of Reference that each jurisdiction will be assessed as to the effectiveness of its implementation of the AEOI Standard in accordance with the commitment it has made.

These core requirements are explained in detail below;

Section IX of the CRS AEOI standard and the commentaries thereto as well as Section 4 of the Model Competent Authority Agreement and its commentaries, both provide a guide to Jurisdictions on the administrative procedures to ensure effectiveness in practice i.e.;

- a) Verify Reporting Financial Institutions' compliance with the reporting and due diligence procedures;
- b) Follow up with a Reporting Financial Institutions when undocumented accounts are reported; and
- c) Ensure that the entities and accounts defined in domestic law as Non-Reporting Financial Institutions and Excluded Accounts continue to have a low-risk of being used to evade tax.

The above administrative efforts may be required on the side of the Tax Administrations in order to ease the compliance burden of Financial Institutions.

Lastly the Jurisdiction should have in place mechanisms to detect and take corrective measures to address errors that may have arisen in process of collection and transmission of CRS AEOI data (Specific Requirement 1.6).

Failure to define and implement an appropriate administrative compliance framework, may result in an unsatisfactory rating in the peer review process. particularly, when assessing the effectiveness in practice. The Global Forum is set to start comprehensive AEOI reviews including effectiveness reviews in 2024. The effectiveness

review questionnaire is already available with the OECD Global Forum.

The Global Forum has put in place a toolkit supported by a technical assistance program for countries to define and implement a comprehensive Administrative Compliance Framework.

### 6.2 CORE REQUIREMENT 2 – EXCHANGE OF INFORMATION WITH ALL INTERESTED APPROPRIATE PARTNERS

The first step to ensure exchange of CRS AEOI data with interested and appropriate Partners is to put in place a robust international legal framework that allows for such exchange (Specific Requirement 2.1). Most countries have implemented CRS using the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC) due to its wide reach.

The Global Forum also assesses the timelines within which the international legal framework is put in place following receipt of an expression of interest from an interested and appropriate partner. This implies that Tax Administrations in Africa need to prioritise and minimise the time taken to sign and ratify the aforementioned agreements (Specific Requirement 2.2).

The other requirements that are assessed under this core requirement include;

- a) Alignment of the exchange agreements with the requirements of the Model Competent Authority Agreement (Specific Requirement 2.3);
- b) Sort, prepare and validate the information in

accordance with the CRS XML Schema and the associated requirements in the CRS XML Schema User Guide (Specific Requirement 2.4);

- c) Put in place transmission methods that meet appropriate minimum standards to ensure the confidentiality and integrity of the data throughout the transmission process (Specific Requirement 2.5);
- d) Adherence to the timelines agreed to by all treaty partners for transmission of the CRS AEOI information (Specific Requirement 2.6);
- e) Adherence to the encryption and transmission standards set (Specific Requirement 2.7);
- f) Availability and effectiveness of the domestic CRS AEOI IT system to relay information according to the CRS Schema and User Guide (Specific Requirement 2.8).

**Note:** The OECD CTS Secretariat is at hand to steer the Jurisdiction through the process of connection of the domestic CRS AEOI IT System to the CTS.

### 6.3 CORE REQUIREMENT 3 – CONFIDENTIALITY, DATA SAFEGUARDS AND USE OF INFORMATION

Under this requirement, Jurisdictions are under obligation to keep the information exchanged confidential and properly safeguarded, and use it in accordance with the exchange agreement under which it was exchanged. The Global Forum conducts

confidentiality and data safeguards assessments and prepares a report which is reviewed and approved by members of the AEOI Peer Review Group (APRG+).

This requirement is assessed as a precondition for Jurisdictions who are interested in CRS AEOI exchanges on a reciprocal basis. The same is

reviewed post-exchange following a schedule of AEOI reviews set by the Global Forum.

## 6 CHAPTER 4

### MANDATORY PRE AND POST CRS AEOI EXCHANGE REVIEWS

## 7 CHAPTER 5: Recommendations for African Countries

- a) **Recommendation 1: Development of a Business Case for CRS AEOI.** African countries should seek technical assistance opportunities available through ATAF and the Global Forum to review the above and prepare a fit-for-purpose business case for high-level decision makers.
- b) **Recommendation 2: Challenges to CRS AEOI implementation:** Tax Administrations should, on a periodic basis, review and build their knowledge-base on the CRS-related Frequently Asked Questions which the OECD maintains and regularly updates. This could be integrated into a country-specific CRS AEOI web portal.
- c) **Recommendation 3: Developing technical briefs and presentations to key decision makers.** Tax Administrations should strike a balance between estimating the revenue potential and other ancillary benefits that AEOI creates for a Jurisdiction as well as the salient risks for a Jurisdiction that fails to implement the tax transparency standards.
- d) **Recommendation 4: Engagement of key stakeholders required to put in place legal framework** – Several sensitization and awareness engagements may be necessary to bring all stakeholders to the same level of appreciation of the tax transparency standards as well as the domestic processes outside the control of tax administration that affect the success of AEOI implementation. Meetings, trainings and strategy sessions should be held with the Attorney General's Department, the Central Bank, Financial Institutions, Parliament, as well as internal stakeholders such as the key decision makers in Tax Administrations to generate the appropriate goodwill.
- e) **Recommendation 5: Legal anchor for CRS AEOI in Domestic Law.** The CRS AEOI standard should be anchored in the domestic tax statute that allows the use of CRS AEOI data for all

taxes covered by the Convention i.e. both direct and indirect taxes. Otherwise, this may present legal challenges during the assessment and use of the information.

- f) **Recommendation 6: Information Security Management framework that adhere to internationally recognized standards or best practices** – African countries should consider technical assistance with the Global Forum on Information Security Management prior to undertaking their CDS Framework assessment. Global Forum Also organizes communities of practice for ISM experts within Tax Administrations to share experience and best practices with Global Forum experts and the Global Community on specific topical issues.
- g) **Recommendation 7: Experience Sharing through Peer to Peer Learning.** ATAF and Global Forum working with development partners support technical assistance programs for countries that are interested and committed to engage in bilateral pilot projects with countries that have advanced in CRS AEOI implementation.
- h) **Recommendation 8: Resource Planning.** African countries should also consider a high-level resource plan, which assesses the competence levels and identifies skills gaps and training needs as soon as the idealisation and visualization of the scope and schedule of the project is done.
- i) **Recommendation 9: Voluntary Disclosure Program.** African countries consider dedicating resources for purposes of CRS AEOI Voluntary Disclosures in order to gain from the early fruits of the AEOI implementation journey. As a result of the revenues from the Voluntary Disclosure Program, African countries are able to demonstrate the benefit from AEOI even before the first exchanges take place.

## Tables

TABLE 1 – CHECKLIST OF KEY QUESTIONS TO SUPPORT THE PROCESS OF DECISION MAKING IN THE HIERACHY OF GOVERNMENT

S/N	SECTION	COMMENTARY
1)	<b>Background to the proposal in respect of which a decision is required?</b>	<p>In this section, the Jurisdiction may provide a background to international cooperation and Exchange of Information in the context of the Jurisdiction i.e.;</p> <ul style="list-style-type: none"> <li>i. Define in specific terms Automatic Exchange of Information</li> <li>ii. Clearly illustrate the scope of entities and individuals targeted by the standard</li> <li>iii. Highlight the global consensus on AEOI and the need to align to the international standards</li> <li>iv. Clear reference to the international legal instrument where the obligation to cooperate in AEOI is anchored with status of the agreement i.e. not signed, signed or signed and ratified</li> <li>v. Summary of previous developments reflected i.e. High-Level Commitments that the country has made e.g. Yaoundé declaration, invitations by the Global Forum or ATAF Secretariat to consider signing onto the CRS AEOI standards</li> <li>vi. Indicate the Government Institution with the mandate to implement AEOI</li> <li>vii. Explain how AEOI overlaps with other Development objectives. This includes synergies and complementariness of AEOI with work of other institutions like Financial Intelligence Units and Central Bank</li> </ul>
2)	<b>Objective of the technical proposal</b>	<ul style="list-style-type: none"> <li>i. If not already done, express the need for approval to sign onto the international legal framework for AEOI i.e. OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority Agreement</li> <li>ii. Request for approval for a formal expression of interest to implement AEOI to the Global Forum Secretariat</li> <li>iii. If not already done, request for delegation of the Competent Authority role to the Tax Administration or Head of Office in charge of implementation of AEOI</li> <li>iv. Request for Cabinet to approve amendments to domestic law following the process of domestication of international agreements in the country</li> </ul>
3)	<b>Summary of the problem statement that the initiative seeks to address</b>	<ul style="list-style-type: none"> <li>i. Define the challenges that the Jurisdiction is facing in cross-border taxation including the cause and effects</li> <li>ii. Explain the solutions that AEOI offers to address the identified challenges</li> <li>iii. Provide some statistics of cross-border tax evasion (audits and investigations) and cases where Exchange of Information has been helpful</li> </ul>

S/N	SECTION	COMMENTARY
4)	<b>Analyse the options that have been evaluated</b>	<ul style="list-style-type: none"> <li>i. Attach a report that indicates the problem e.g. access to AEOI data from all Jurisdictions implementing the standard. This should indicate; <ul style="list-style-type: none"> <li>• the options considered to address the problem. (It may be true that a Jurisdiction could obtain the information through EOIR, but that is much more resource intensive, so AEOI can be more efficient).</li> <li>• a triangulation analysis of each option e.g. cost-benefit analysis, impact and distribution of impact, implementation/enforcement analysis, monitoring and evaluation analysis</li> <li>• Conclusion showing how the preferred option emerged</li> </ul> </li> </ul>
5)	<b>Analysis of the legal framework</b>	<ul style="list-style-type: none"> <li>i. Objectives of the protocol, treaty, Convention or Agreement providing for CRS AEOI</li> <li>ii. Key clauses or articles</li> <li>iii. Amendments required for the domestic law to take effect and their consistency with overarching laws or constitution</li> </ul>
6)	<b>Implementation arrangements</b>	<ul style="list-style-type: none"> <li>i. Define the responsibility centres for coordination arrangement with other regulatory agencies</li> <li>ii. Define the communication and dissemination arrangements of the AEOI initiative with stakeholders</li> <li>iii. Define the commencement date for this initiative</li> <li>iv. Attach all the necessary schedules of different activities involved</li> </ul>
7)	<b>Consultations</b>	<ul style="list-style-type: none"> <li>i. Consult the Chief Legal Advisor of Government for legal opinion on the procedure for signing of the Agreements and domesticating the same.</li> <li>ii. Obtain a clearance note</li> </ul>
8)	<b>Cost implications</b>	<ul style="list-style-type: none"> <li>i. Attach the budgetary implications for implementation</li> </ul>
9)	<b>Conclusion</b>	<ul style="list-style-type: none"> <li>i. Recast the objectives of the proposal in form of the key decisions that have to be taken.</li> </ul>
10)	<b>Attachments and References</b>	<ul style="list-style-type: none"> <li>i. Include the instrument of ratification of Agreements if already signed and ratified. If unsigned, include the instruments that are required to be signed and ratified</li> <li>ii. Attach the options analysis report</li> <li>iii. Attach the stakeholder engagement plan</li> <li>iv. Attach roadmap for implementation</li> <li>v. Attach clearance letter from the Chief Legal Advisor of Government</li> <li>vi. Budget estimates</li> </ul>

TABLE 2 – DRAFT ROADMAP FOR AEOI IMPLEMENTATION

NO	ACTIVITY	RESPONSIBILITY CENTER	TIMELINES
1.	Appoint project lead in the implementation of the CRS AEOI initiative		
2.	Prepare and submit a budget estimate of the AEOI Implementation project		
3.	Develop a schedule of high-level interagency meetings		
4.	Prepare a business case for Cabinet Approval for Automatic Exchange of Information		
5.	Submit formal commitment to a date for the first AEOI exchange		
6.	Prepare and submit proposals for CRS AEOI Primary and Secondary legislation, and amendment to existing laws for approval		
7.	Signature and Ratification of; a) OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters b) Multilateral Competent Authority Agreement for AEOI		
8.	Consultation and engagement of Industry		
9.	Aligning internal policies, processes and procedures		
10.	Set up the AEOI IT infrastructure linkage with Financial Institutions and treaty partners		
11.	Supervision and Enforcement to ensure adherence to reporting AEOI obligations		

TABLE 3 – COST CONSIDERATIONS IN IMPLEMENTING THE STANDARD

GOVERNMENT COST FACTORS	FINANCIAL INSTITUTION COST FACTORS
Existence of legal mechanisms for international exchange of information	Connection with multinational groups allowing replication of existing systems in branches/ subsidiaries in developing countries
Existence of legal mechanisms to access and exchange information held by financial institutions	Extent to which customer records are already maintained in electronic form
Degree of skilled personnel in tax administration	Extent to which customer records are centralised or fragmented within the financial institution
Current use of information technology in tax administration	Degree of sophistication of existing customer due diligence
Existence and accuracy of electronic domestic taxpayer database to enable high degree of matching data	Existence of information communication processes for domestic reporting to the tax administration
The scope of parter jurisdictions with which Standard will be conducted	Scope of reportable accounts within a jurisdiction
Current confidentiality and data protection measures (legal, information technology and human resources)	Current confidentiality and data protection measures (legal, information technology and human resources)
Amount of information to be received	

Source: OECD: Automatic Exchange Of Information: A Roadmap For Developing Country Participation (2014)

TABLE 4 – PROPOSED POLICIES TO BE REVIEWED IN ANTICIPATION OF CRS AEOI IMPLEMENTATION

NO	SPECIFIC POLICY, PROCESS OF PROCEDURE	CONTROLS
1.	<b>Exchange of Information processes</b> <i>(These should be explained to illustrate the full lifecycle of treaty exchanged information)</i>	<ul style="list-style-type: none"> <li>• AEOI Processes for receipt and use of data/AEOI Manual</li> <li>• Data classification and labelling</li> <li>• Access Control</li> <li>• Archiving and destruction</li> </ul> <p><b>Note:</b> Information security roles and responsibilities must be clear</p>
2.	<b>Information Security Policy (ISP)</b>	<ul style="list-style-type: none"> <li>• Information and Communications Technology (ICT) security;                             <ul style="list-style-type: none"> <li>- Physical security;</li> <li>- Personnel security and integrity;</li> <li>- Security roles and responsibilities;</li> <li>- Escalation and reporting arrangements;</li> <li>- Business Continuity Management;</li> <li>- Information Disposal Policies.</li> </ul> </li> </ul> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>- Communication of ISP to all areas of the organisation is key</li> <li>- Procedure for updating of ISP must be clearly documented</li> </ul>
3.	<b>Risk Management</b> <i>(Scope of the enterprise-wide risk management should be expanded to include how information security risk fits into it)</i>	<ul style="list-style-type: none"> <li>• Organisation-wide risk assessment and management implemented</li> <li>• Risk register and identification process should cover risks associated with confidentiality of data</li> <li>• Clear procedure for escalation of major risks</li> </ul>
4.	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• Background checks and vetting - Employee and contractor</li> <li>• Security training and awareness - Employee and contractor</li> <li>• Departure Policies</li> </ul>
5.	<b>Security</b>	<ul style="list-style-type: none"> <li>• Physical Security: Access to Premises</li> <li>• Physical Security: Physical Document Storage</li> </ul>
6.	<b>System and Information Integrity</b>	<ul style="list-style-type: none"> <li>• Audit and Accountability</li> <li>• Security Assessments</li> <li>• Penalties and Sanctions</li> </ul>

NO	SPECIFIC POLICY, PROCESS OF PROCEDURE	CONTROLS
7.	<b>IT related policies and controls</b>	<ul style="list-style-type: none"> <li>• Asset management</li> <li>• Service Level Agreements with IT suppliers</li> <li>• Backup policies and Disaster Recovery plans</li> <li>• Logging and monitoring</li> <li>• Vulnerability scanning</li> <li>• Incident management</li> </ul>

TABLE 5 – CHECKLIST OF SOME HIGH-LEVEL ACTIVITIES IN RELATION TO CRS AEOI SYSTEM DEVELOPMENT

NO	MILESTONE	ACTIVITIES
1.	<b>Scope of AEOI Reporting System developed</b>	<ul style="list-style-type: none"> <li>• Develop a user system specification</li> <li>• Develop a technical system specification document in consultation with Financial Industry and OECD CTS Secretariat</li> <li>• Generate CRS AEOI Reporting Schema</li> <li>• Approval of the Schema</li> </ul> <p><b>Note:</b> The technical system specification for Financial Institutions to plug into and submit CRS AEOI data may be designed first before moving on to the specification document that guides how the Tax Administration CRS AEOI system links to the Common Transmission System</p>
2.	<b>Impact analysis Report</b>	<p>Conduct Impact analysis on;</p> <ul style="list-style-type: none"> <li>• Applications</li> <li>• Database</li> <li>• Hardware</li> <li>• Middleware on the network</li> </ul>
3.	<b>System Acquisition/Development</b>	<ul style="list-style-type: none"> <li>• Determine cost of systems acquisition or development</li> <li>• Make recommendations</li> <li>• User acceptance testing (both Financial Institutions and OECD CTS Secretariat)                             <ul style="list-style-type: none"> <li>- Purchase certificate for CTS Test Portal &amp; Production Portal and procure login credentials</li> <li>- Dedicate a Static Public IP Address</li> <li>- Provide the Public IP addresses for both User Acceptance Testing and Production to the OECD for them to be whitelisted.</li> <li>- If Tax Administration's network security configurations require, whitelist the CTS system credentials</li> <li>- Procure credible Anti-viruses</li> </ul> </li> </ul>

NO	MILESTONE	ACTIVITIES
4.	<b>User Acceptance and testing</b>	<p>The following tests phases and methods may be considered;</p> <ul style="list-style-type: none"> <li>• Unit testing to verify that CRS AEOI IT System functionality is ready from the development standpoint and that end-users can start wider system testing</li> <li>• System testing to ensure that system functionality covers business needs and is successfully integrated</li> <li>• End-to-end testing to ensure that business cycles (e.g. due dates) can be run in the system and that business processes are supported.</li> <li>• Usability testing by end-users and customers to ensure that the system is as user-friendly and easy to use as possible</li> <li>• Regression testing to ensure that the new system functionalities have not affected already developed and tested functionalities</li> <li>• Performance testing to ensure that the system can cover known business and data volumes</li> <li>• Security testing to ensure that user rights and external security requirements are met</li> <li>• Technical testing to include system recovery and security tests.</li> </ul>
5.	<b>Roll-out of the system</b>	<ul style="list-style-type: none"> <li>• Deploy the system in the live environment</li> </ul>
6.	<b>Monitoring and updates</b>	<ul style="list-style-type: none"> <li>• Continue to monitor and log issues</li> <li>• Update and document critical system patches to guarantee security</li> <li>• Create training and development material</li> </ul>
7.	<b>Change management</b>	<ul style="list-style-type: none"> <li>• Sensitization on new CRS AEOI System and tools, changes in legislation, work procedures and responsibilities.</li> <li>• Generate communication plan for both internal and external stakeholders</li> </ul>

## APPENDIXES

## Appendixes

### APPENDIX 1 – GLOSSARY OF TERMS

**Early Adopters:** A group of jurisdictions that have committed to implementing the Standard, with the first exchange of information to take place by the end of September 2017. Further details can be obtained at <http://www.oecd.org/tax/transparency/AEOIjointstatement.pdf>.

**Financial Institution** means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company.

**Interested Appropriate Partners** is considered to be a jurisdiction that is interested in receiving information from another jurisdiction and that meets the requirements in relation to confidentiality and data safeguards (OECD Global Forum).

**Voluntary Disclosure Programmes** are opportunities offered by tax administrations to allow previously non-compliant taxpayers to correct their tax affairs under specified terms.

<https://www.oecd.org/ctp/exchange-of-tax-information/Voluntary-Disclosure-Programmes-2015.pdf>

**Wider approach** refers to extending the due diligence procedures to require Reporting Financial Institutions to identify and collect information on all Account Holders and Controlling Persons tax resident in any other jurisdiction, not only those listed as Reporting Jurisdictions.

### APPENDIX 2 – CONSULTATION AND ENGAGEMENTS

- a) Focus Group discussions with some African countries that have committed to and/or implementing the CRS AEOI exchanges specifically Cameroon, Kenya, Lesotho, Mauritius, Nigeria.
- b) Written submissions from ATAF Technical Committee on Exchange of Information;
- c) Meetings and discussions with the Global Forum on Tax Transparency and Exchange of Information;
- d) Literature review of the publications by standard-setting bodies like the OECD Global Forum, TADAT Secretariat.

### APPENDIX 3 – IMPORTANT RESOURCES

- Model Competent Authority Agreement within the Automatic Exchange of Information Standard: <https://www.oecd.org/tax/exchange-of-tax-information/standard-for-automatic-exchange-of-financial-accountinformation-in-tax-matters-second-edition-9789264267992-en.htm>
- Standard for Exchange of Information on Request: <http://www.oecd.org/tax/transparency/documents/global-forum-handbook-2016.pdf>
- Global Forum's Plan of Action for Developing Countries' Participation in AEOI: <https://www.oecd.org/tax/transparency/documents/plan-of-action-AEOI-and-developing-countries.pdf>
- Terms of Reference for the Automatic Exchange of Information peer review process: <https://www.oecd.org/tax/transparency/documents/AEOI-terms-of-reference.pdf>
- Global Forum on Transparency and Exchange of Information for Tax Purposes: <http://www.oecd.org/tax/transparency/>
- Exchange of Information on Request: <http://www.oecd.org/tax/transparency/what-we-do/exchange-of-information-on-request/exchange-of-information-on-request-peer-review-process.htm>
- Automatic Exchange of Information: <http://www.oecd.org/tax/automatic-exchange/>  
[https://read.oecd-ilibrary.org/taxation/standard-for-automatic-exchange-of-financial-account-information-in-taxmatters-second-edition\\_9789264267992-en](https://read.oecd-ilibrary.org/taxation/standard-for-automatic-exchange-of-financial-account-information-in-taxmatters-second-edition_9789264267992-en)
- Common Reporting Standard: <https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/>
- Technical assistance available from the African Tax Administration Forum and Global Forum on Transparency and Exchange of Information for Tax Purposes: <https://www.ataftax.org/technical-assistance>  
<https://www.oecd.org/tax/transparency/what-we-do/>
- OECD Guide on the Protection of Confidentiality of Information Exchanged for Tax Purposes: <https://www.oecd.org/ctp/exchange-of-tax-information/keeping-it-safe-report.pdf>
- TADAT Assessment Tool – Field Guide: <https://www.tadat.org/assets/files/TADAT%20Field%20Guide%202019%20-%20English.pdf>





## Notes



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