

# Automatic Exchange of Information and Voluntary Disclosure

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The world isn't changing. It has changed.

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Bank secrecy and protection of data have been severely eroded – individuals have downloaded lists off bank mainframes, selling them to tax authorities. Banks are now forced to provide information via FATCA and CRS.



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## After CRS Automatic Exchange of Information:

“The new global standard on Automatic Exchange of Information (AEOI) reduces the possibility for tax evasion. It provides for the exchange of non-resident financial account information with the tax authorities in the account holders’ country of residence. Participating jurisdictions that implement AEOI send and receive pre-agreed information each year, without having to send a specific request.” (OECD)



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## Before CRS Automatic Exchange of Information:

Specific request between Tax Authorities:

- lengthy process
- partial information
- various data formats



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## Common Reporting Standard (CRS)

- Database fully available – updated by banks and financial institutions annually
- No need for specific request
- Full information
- One format – Global standard



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The standard is very similar to the previously introduced U.S. FATCA (Foreign Account Taxpayer Compliance Act).

The FATCA agreement stipulates that Israeli banks should start reporting details of US persons that hold accounts from 2014 onwards to the Israel Tax Authority, which will pass on this information to the US Internal Revenue Service. The CRS has adopted the same treatment of reporting worldwide the details of bank account holders.



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A large number of jurisdictions have announced their plan to implement the new Standard. Around 50 jurisdictions have worked towards having their first information exchanges by September 2017; and many more are following in 2018.







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Israel has signed many exchange of information agreements with countries who have no tax treaty with Israel. Exchange of information sections are been added to existing tax treaties.





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In Israel, the Israeli Tax Authority is energetically implementing the CRS. The Bank of Israel (BOI) also plays a star role. On October 7, 2016, Israel has defined tax evasion a money laundering offense. This means the Israeli banks now keep a close watch on tax evasion in Israel and abroad by account holders.

The banks have effectively joined the tax “Police”.

The Bank of Israel issued tough stipulations to the Israeli banks, in a Circular dated November 23, 2016, especially regarding bank transfers to and from Israel.

This Circular emphasizes that tax offenses may now constitute money laundering.



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The ITA has received/acquired lists that include Israeli residents who own foreign assets. The ITA believes that once the opportunity was given to come forward (viz. voluntary disclosure) and it hasn't been used, the terms of the voluntary disclosure should be getting tighter.



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The ITA has followed this logic as each new round of voluntary disclosure published had inferior terms:

- November 2011 Amnesty – No interest or linkage charged. No penalties. Generally, no taxes on capital without explained source.
- September 2014 – December 2016 Amnesty – Interest and linkage charges are added to the tax liability. Generally no penalties. Capital without explained source subject to 10% tax (in most cases).
- December 2016 – December 2017 – No amnesty available
- 2018 Amnesty – interest and linkage are added to the tax liability. Possible penalties (at discretion of local tax office). Capital without explained source subject to 10%-20% tax (in most cases).



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## 2017 Amnesty

The Israeli Tax Authority is offering taxpayers the opportunity to voluntarily disclose previously unreported assets and income. In exchange for volunteering this information and paying the taxes on the income, people will be able to avoid prosecution for tax evasion. The disclosure facility is available until the end of 2019.



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## Immunity from prosecution requires several elements:

- The taxpayer must not already have an investigation pending for non-reported income or assets.
- Full disclosure is required - disclosure must be full, thorough and made in good faith.
- Taxes must be paid in a timely fashion once the amount has been agreed with the ITA.



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## Amnesty Routes

Anonymous Disclosure – Available until December 31, 2018. Once the file is cleared by a local tax assessor, who will determine the tax rates, interest, and fines owed, the applicant's identity is disclosed. If the taxes due are paid, no criminal charges can be brought, provided that the other conditions mentioned above are met.



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## Amnesty Routes

Fast track - available for taxpayers who have NIS 2 million or less in capital to report, and the taxable income is less than NIS 500,000. Applicants for this track may not be anonymous.

Israeli rental income – short reporting option is available (reporting 7 years back). Available only where the only unreported income is Israeli residential rental income, no amnesty guaranteed, but process is clear and cheaper.





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## What's required:

- Full list of assets held during the last 10 years.
- Documentation explaining the source of the assets (gifts, inheritance)
- Filing income tax returns for the past 10 years.
- Supporting documentation for tax returns – income, expenses, charitable contributions.
- A credit is given for foreign taxes deducted - If taxes have been paid in other countries – copies of tax returns or other documents proving tax liability or taxes deducted.



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Is the Voluntary Disclosure here to stay?

The US and other countries are in the process of having  
Amnesty options reduced.

The ITA claims that they don't intend to extend the Voluntary  
Disclosure past December 2019\December 2018 deadlines.



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**Thank You!**

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