

# Automatic Exchange of Information (AEI)

## Information for entity clients

The Automatic Exchange of Information (AEI) is a new global regulation and supports the efforts to combat tax evasion. Under the AEI, tax authorities of participating countries will exchange tax-related client and financial data on a yearly basis.

### What is the UBS position towards the AEI?

The AEI is a binding regulation that all financial institutions in participating countries must implement. UBS supports tax-compliant financial centers, as well as the effort for an intensified international cooperation and will fully comply with its AEI obligations.

### Which countries will participate?

The current political agenda foresees that the EU and potentially selected other countries begin to implement the AEI as of 1 January 2016 with reporting from 2017 onwards. Most remaining countries where UBS maintains affiliates such as Switzerland, Hong Kong and Singapore will follow one year later. In some countries, including Switzerland, the legal prerequisites for the AEI are only partially in place and are subject to political challenges (e.g. referendum).

### How will the AEI requirements impact you as a UBS client?

The AEI generally requires UBS to request additional documentation for all entity relationships, regardless of whether AEI reporting to foreign tax authorities ultimately takes place.

If your entity is impacted by the reporting requirements, client data (name, address, tax identification number (TIN), account number) and financial data (account balance, investment income incl. interest and dividends) will be reported to your local tax authority. The report is subject to data protection requirements and the recipient tax authority is only allowed to use the reported data for tax purposes unless it was otherwise agreed between the respective countries.

In UBS affiliates where such client reporting is customary, UBS intends to issue a yearly AEI statement to clients. The statement will list the information which will be shared with your local tax authority.

### What are the requirements for **operating entities**?

#### *Documentation*

For your entity<sup>1</sup> the additional documentation requirements include the entity's tax residence and if applicable its tax identification number.

#### *Reporting*

Your entity is impacted if your country of tax residence is not the country in which you maintain your UBS relationship and if these countries agreed to exchange data.

### What are the requirements for **non-operating entities**?

#### *Documentation*

For your non-operating entity the documentation is broad and encompasses not just your entity itself but a range of roles associated with it. For example, UBS will be required to document the entity itself, the beneficial owners of a domiciliary company and the settlors, beneficiaries, trustees and protectors of a trust. Such roles associated with the entity are defined as 'Controlling Persons' under the AEI.

#### *Reporting*

Whether your non-operating entity is subject to reporting is tied to many conditions and can only be determined on a client-by-client basis.

If you would like to determine whether a reporting obligation exists before you provide the additional documentation to UBS,

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<sup>1</sup> This factsheet addresses the AEI requirements for non-financial operating entities such as manufacturing, sales or distribution companies. Further information regarding financial operating companies (e.g. banks, insurance companies) may be published separately.

please consult your tax advisor as UBS would not be able to make the determination without the additional documentation.

### *Controlling Persons*

In general, the conditions to report a Controlling Person are: (1) The Controlling Person's entity maintains a UBS relationship in a country other than the Controlling Person's country of tax residence (2) The Controlling Person's country of tax residence and the country of the UBS affiliate have agreed to exchange data<sup>2</sup>.

### *Example*

#### Background

ABC Limited is a non-financial domiciliary company incorporated in the British Virgin Islands (BVI). The beneficial owner of ABC Limited has her tax residence in Australia. ABC Limited maintains a UBS relationship in Switzerland.

Switzerland and Australia have signed an agreement with each other while the BVI have neither signed with Switzerland nor with Australia.

#### How do the AEI requirements impact ABC Limited?

#### Documentation

Upon UBS request, ABC Limited as the account holder will provide the tax-relevant information of the entity itself and its beneficial owner.

### *Reporting*

The beneficial owner is considered a Controlling Person under the AEI. According to the agreement between Switzerland and Australia, Switzerland is required to report to the Australian tax authorities.

The reported data includes the name, address, TIN, account number of the beneficial owner and the financial data of ABC Limited.

### **What do you have to do?**

If you are affected by the additional documentation requirements, UBS will inform you in due time. Please note that the AEI reporting through financial institutions does not substitute your tax filing obligations with your local tax authority.

### **Does the AEI impact other regulations?**

The AEI will replace the European Savings Tax, as well as the bilateral tax agreements between Switzerland and Austria/UK.

### **Where is further information available?**

The [OECD AEI website](http://www.oecd.org) (www.oecd.org, search term: AEOI) provides updated information on the Automatic Exchange of Information.

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<sup>2</sup> While there are exceptions to this general rule, the broad adoption of the AEI will limit the exceptions over time. Under certain circumstances the non-operating entity itself is also reported.