



Common Reporting Standard: OECD

For Prelims: Common Reporting Standard, [OECD](#), [AEIO](#), [G20](#), [Tax Evasion](#), [BEPS](#).

For Mains: Need for Increasing Scope of Common Reporting Standard.

Why in News?

India is pushing to widen the scope of the **Common Reporting Standard (CRS)** at the [G20 grouping](#) to include Non-Financial Assets like real estate properties under the [Automatic Exchange of Information \(AEIO\)](#) among [OECD \(Organisation for Economic Cooperation and Development\)](#) countries.

- India currently has AEIO with 108 jurisdictions for receiving financial information and with 79 jurisdictions for sending information automatically.
- AEIO provides for the exchange of non-resident financial account information with the tax authorities in the account holder's country of residence. It **reduces the possibility of [tax evasion](#)**.

What is the Common Reporting Standard (CRS)?

- **About:**
 - The CRS was developed in response to the G20 request and approved by the OECD Council on 15th July 2014.
 - It calls on **jurisdictions to obtain information from their financial institutions** and automatically exchange that information with **other jurisdictions on an annual basis**.
 - It **sets out the financial account information to be exchanged**, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.
- **Current Framework:**
 - Presently, the OECD's Automatic Exchange of Information (AEIO) framework provides for sharing of financial account details among signatory countries with an aim to check tax evasion.
 - In August 2022, the OECD also approved the **Crypto-Asset Reporting Framework (CARF)** which provides for the reporting of tax information on transactions in Crypto-Assets in a standardized manner, with a view to automatically exchanging such information.

What is the Need for Broadening the Scope of AEIO?

- There is a need to broaden the scope of AEIO so that the information could be used not only to check tax evasion, but also for other **non-tax law enforcing purposes**.
- The risks are not only in the Financial Assets, but also there is a risk of tax evasion in Non-Financial Assets such as real Estate and properties, therefore expansion of CRS from **financial to other non-financial accounts is important**.
 - As per the OECD's Tax Transparency report, amid the current geopolitical and debt crisis,

- there is a need to check tax evasion and illicit financial flows, especially by Asian nations which are estimated to have lost Euro 25 billion in revenue in 2016.
- Quoting a study, the OECD report said 4 % of Asia's financial wealth amounting to Euro 1.2 trillion was held offshore, leading to a potential annual revenue loss of Euro 25 billion for the region in 2016.

What are the Efforts to Manage Tax Evasion?

- **Global:**
 - [Base Erosion and Profit Shifting \(BEPS\)](#)
 - [OECD's Inclusive Framework's Statement.](#)
 - [Double Taxation Avoidance Agreements \(DTAAs\)](#)
- **Indian:**
 - [The Fugitive Economic Offenders Act, 2018](#)
 - [The Black Money \(Undisclosed Foreign Income and Assets\) and Imposition of Tax Act, 2015](#)
 - [Prevention of Money Laundering Act, 2002.](#)

Way Forward

- Expanding the exchange of financial and non-financial information can have significant benefits for tax collection and **non-tax law enforcement efforts.**
- The G20's commitment to prioritizing these initiatives can lead to **increased transparency and accountability in global financial systems**, which will ultimately benefit everyone.
- It is essential to continue working collaboratively across borders to improve information sharing mechanisms and ensure their effectiveness while also addressing any potential privacy concerns. By doing so, we can build a fairer and more sustainable global economy that benefits all individuals and nations.

[Source: TH](#)

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