EU TAX Observatory

From Tax Secrecy to Tax Transparency? 10 years of Common Reporting Standard

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NOTE

From Tax Secrecy to Tax Transparency?
10 years of Common Reporting Standard

Policy brief by Quentin Parrinello

This policy note summarizes the conclusions of several working papers written by researchers from the EU Tax Observatory and colleagues. It provides an overview of the progress and shortfalls of the reform known as the Common Reporting Standard (CRS), a decade after its introduction. Full list of working papers available in the appendix.

The note has been made public ahead of the Conference "From Secrecy to Transparency: The End of Hidden Wealth?" co-organized by the EU Tax Observatory and the PSE Stone Center on Global Wealth Dynamics in Paris on February 3rd and 4th, 2026.

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Executive Summary

The **Common Reporting Standard (CRS)** was announced in 2014 in response to decades of offshore tax evasion, during which wealthy individuals could exploit bank secrecy in tax havens to hide their wealth and income from national tax authorities, leading to significant revenue losses for governments worldwide. The CRS was meant to curtail tax evasion by providing tax administrations with information about the identity and amount of offshore wealth held by their tax residents. This policy note reviews the progress achieved under the CRS, as well as its remaining shortcomings, a decade after its introduction.

Available evidence suggests that the CRS has significantly reduced the scope for cross-border tax evasion. Pioneering work in Denmark by researchers from the EU Tax Observatory finds that the **automatic exchange of bank information may have closed up to 70% of the offshore tax gap in that country.**

However, avenues to circumvent reporting requirements persist for many countries, hampering their ability to reduce the offshore tax gap: estimates from the EU Tax Observatory indicate that **the amount of CRS-reported wealth reported by tax havens is about 40% lower than the actual level of offshore financial wealth—suggesting the existence of loopholes in the CRS framework.**

This policy brief describes four categories of loopholes allowing taxpayers to escape reporting:

Issue #1: Complex structures. Accounts held through complex structures such as shell companies are, in theory, covered by the CRS. In practice, tax authorities often receive incomplete information on the owners of complex shell company structures, weakening the chances of identifying the true owner of accounts.

Issue #2: Assets not covered by the CRS: Crypto-assets and real estate are not (yet) covered by the CRS. Research shows that, ahead of the CRS's entry into force, some taxpayers reallocated their portfolio from financial assets to real estate to escape reporting. In addition, the blurred frontier between passive non-financial entities – whose owners are reportable under CRS - and active non-financial entities – whose owners are exempted - may also lead tax evaders to use artificial reclassification to skirt reporting rules.

Issue #3: Non-Compliance by Financial Institutions: CRS reporting requirements may fall on financial institutions with weaker incentives to comply (hedge or private equity funds, wealth management companies, trust and corporate service providers, etc.). In some instances, such institutions are closely held, effectively turning third-party reporting into a form of self-reporting, with limited incentives to truthfully report.

Issue #4: Non-participating countries: Not all countries participate in the CRS. Sometimes reciprocity rules act as a barrier to proper exchanges, particularly for low-capacity tax administrations. In other instances, jurisdictions refuse to join. Moreover, when jurisdictions offer citizenship-by-investment schemes, they allow citizenship arbitrage, obscuring the true tax residency of taxpayers.

Loopholes in reporting, as well as the quality of information of CRS data that tax authorities receive and their capacity to use it for enforcement, suggest that the levels of reduction in the offshore tax gap observed in Denmark will not necessarily be observable in every country. Improvements to the standard are therefore essential.

As the CRS marks its tenth anniversary, a number of reforms are needed to make sure it fully meets its goals:

1. Accelerate the extension of reporting obligations to crypto-assets and real estate;

2. Shift reporting requirements from lightly-regulated investment entities to banks, which generally have stronger incentives to comply;

3. Strengthen auditing and sanctions for non-compliant financial institutions to improve reporting conformity – particularly in tax havens;

4. Push for more inclusive participation and relax reciprocity requirements for low-capacity tax administrations;

5. Work towards the creation of a global asset registry by increasing transparency requirements, such as beneficial ownership and improving the interoperability of data across jurisdictions. Release more data on CRS to allow for better impact assessment.

1. What is the Common Reporting Standard and Why is it Needed?

What happens when individuals or entities hold financial assets—such as bank deposits, securities, and other financial instruments—offshore, in tax havens?

Owning assets offshore is not illegal. However, the income generated by these assets must be declared to the taxpayer's country of residence. Yet, for years, these assets and the revenue they generated have been mostly hidden from the eyes of tax administrations, resulting in substantial tax revenue losses, underestimation of wealth inequality, and greater secrecy surrounding the proceeds of crime and corruption.

According to Faye, Godar, Moura and Zucman (2025), offshore financial wealth represents the equivalent of 7% of global GDP. Prior to the introduction of international transparency reforms, more than 90% of this offshore wealth escaped the scrutiny of tax authorities by failing to be reported by taxpayers.

Figure 1: What is Offshore Financial Wealth?

In 2014, following a major reform spearheaded by the Organization for Economic Co-operation and Development (OECD) and the G20, countries agreed to set up an automatic exchange of information standard known as the **Common Reporting Standard** (CRS). The reform was gradually implemented across countries starting in 2016.

Under the CRS, banks and other financial institutions are required to identify accounts held by reportable non-residents and report details of passive financial income—such as account balances, interest, dividends, and proceeds from the sale of financial assets —to their domestic tax authority. This information is then automatically shared on an annual basis with the tax authorities of the account holders' countries of residence. Before 2014, exchange of information between tax administrations was only possible upon request, which had to be motivated by suspicions of non-compliance, and was often subject to multiple domestic political obstacles.

The CRS covers a broad range of financial assets, including bank accounts, custodial accounts, and certain insurance products. By contrast, active ownership of operating companies (those generating direct business profits) is subject to less stringent reporting requirements – with no obligation to disclose the true owners. This is because, in theory, such assets are typically linked to physical operations, employees, and a local economic presence, making them harder to relocate and thus less prone to cross-border tax evasion.

Countries can access information from the CRS based on reciprocity, meaning that jurisdictions must be able to collect and transmit CRS-compliant data in order to receive information in return. Critics have pointed out that this requirement represents a significant barrier for developing countries, which may lack the technical, financial, and administrative capacity to collect and securely transmit high-quality financial data, making it difficult for them to meet the reciprocity requirement.

The United States of America—the world's largest financial center—does not participate in the CRS. Instead, it operates its own financial transparency system, limited to private accounts, the Foreign Account Tax Compliance Act (FATCA), in force since 2014. FATCA requires foreign financial institutions to report information on U.S. account holders to the Internal Revenue Service (IRS). Information exchanges under FATCA occur through bilateral agreements between the United States and partner countries.

By 2022, according to the OECD, the CRS had facilitated the reporting of approximately **EUR 12.6 trillion** in offshore wealth to foreign tax authorities across 118 participating tax administrations (125 in 2025) – including key offshore centers. By comparison, FATCA bilateral agreements covered 113 countries.

2. What do CRS Reports Tell Us?

Boas et al. (2025) carried out the first systemic assessment of how the CRS functions in practice, drawing on aggregated national data from 16 countries representing about 30% of the amount of offshore wealth reported by the OECD in 2022.

The assessment showed that the number of accounts reported through the CRS has increased over the years in all 16 countries in the sample, suggesting the coverage of the reform is improving over time.

Across the sample, the average balance per account reported under the CRS was USD 70,000. However, accounts located in tax havens had significantly higher balances than in other countries. For instance, accounts held by Spanish and Danish residents in tax havens had, on average, a balance six times larger than everywhere else.

Among the sample of countries assessed, 97% of accounts were held directly by individuals, while only 3% were held by entities – but these entities accounted for 48% of the total financial wealth reported in the sample, highlighting the disproportionate role of legal structures in offshore wealth holding.

Of this 48% of wealth held through entities, about half was held through active non-financial entities, exempted from disclosing their final true owners. Overall, one in every four dollars of wealth reported in the sample was held through shell companies. Identifying the beneficial owners of these shell companies is therefore paramount for financial institutions if the CRS is to work properly.

Finally, the analysis shows that 60% of the wealth reported in the sample is located in tax havens. Accounts reported in tax havens are more likely to be held by passive entities than everywhere else. This finding underscores the pivotal role played by financial institutions in tax havens in safeguarding, or undermining, the integrity of the CRS.

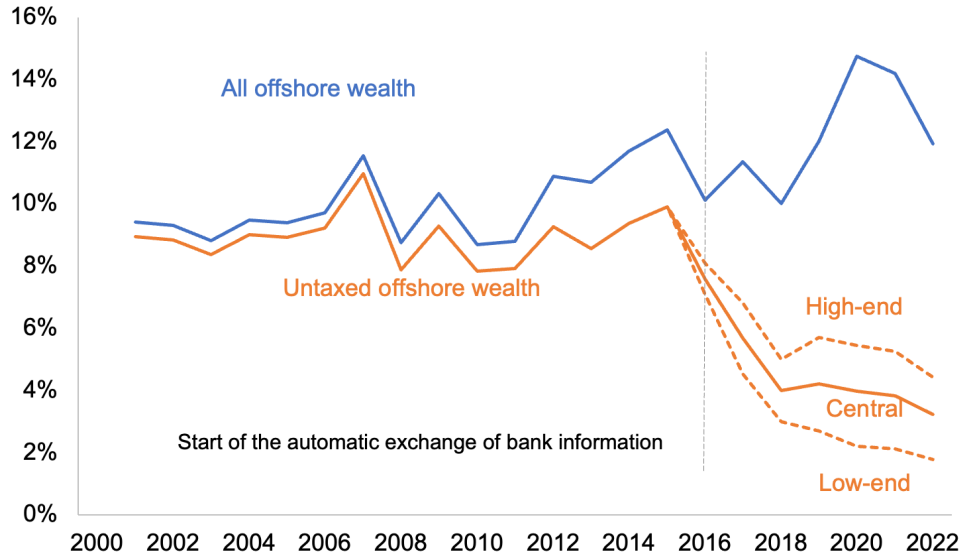
3. The CRS Has Reduced the Amount of Offshore Wealth Invisible to Tax Administrations

Beyond the characteristics of CRS-reported accounts, what matters is the number of accounts linked with national taxpayers. Thanks to partnerships with tax administrations–initially in Denmark and forthcoming in other countries–researchers at the EU Tax Observatory have been able to quantify, for the first time in 2023, the amount of offshore wealth previously hidden from the taxman that became visible to tax administrations.

The first conclusion stemming from research is that the amount of offshore financial wealth has not decreased following the introduction of the CRS. Assets held offshore largely remain offshore. However, it does not imply that offshore tax evasion has persisted at the same scale.

The second conclusion is that the amount of offshore wealth that is hidden from tax authorities has decreased. A first assessment of the CRS based on data provided by the Danish Tax Administration estimated that about 70% of the offshore tax gap was closed following the introduction of the CRS – a reduction of the amount of offshore financial wealth escaping tax administrations by a factor of three. The data was based on Danish financial wealth held across the globe.

Figure 2: Unreported Offshore Household Wealth – 3 Scenarios from the Danish Case



Note: This figure reports the evolution of global household offshore wealth (expressed as fraction of world GDP), and three scenarios about the evolution of untaxed offshore wealth. *Source: Global Tax Evasion Report 2024.*

Loopholes in reporting, as well as the quality of information of CRS data that tax authorities receive and their capacity to use it for enforcement, suggest that the levels of reduction in the offshore tax gap observed in Denmark will not necessarily be observable in every country. But this early assessment shows the extent to which international cooperation can help reduce tax evasion.

Nevertheless, significant avenues for evasion remain. Preliminary analysis carried out by EU Tax Observatory researchers suggests that the amount of CRS-reported wealth in tax havens is about 40% lower than estimates of available offshore wealth in these countries, suggesting the existence of loopholes in the CRS framework

Among these loopholes is the potential failure by financial institutions to properly enforce CRS requirements and identify the owners of accounts offshore. Statistics shared by some tax administrations with the EU Tax Observatory show very high overall matching rates for accounts directly held by individuals, ranging between 82% and 96%. By contrast, matching rates are substantially lower for accounts held by entities. In Denmark and Great Britain, for example, only 60% of passive entities liable to CRS reporting could be matched to their true owners. Given that offshore accounts in tax havens are more likely to be held through passive entities and tend to involve larger account balances, proper enforcement largely relies on the ability of financial institutions in tax havens to comply with CRS requirements.

According to Alstadsæter, Casi, Miethe and Stage (2023), the enforcement of the CRS by tax havens is uneven. Strong enforcement increases repatriation by up to 73%. In case of weak enforcement in tax havens, they document no response to the introduction of the CRS at all.

Figure 3: CRS Ownership Structure and Matching Rates of Sampled Countries

Country	Reference year	Share of accounts held by entities	Share of total account balance held by entities	Share of account balance held through passive entities	Overall matching rate	Matching rate of accounts held by entities	Share of passive entity accounts with beneficial owner information
BEL	2018	4%			95%	72%	
DEU	2022	2%	50%	20%	82%	39%	
DNK	2022	3%	82%	46%			60%
ESP	2022				96%		
GBR	2022	4%	37%	23%			59%
JPN	2022	1%	34%				
NOR	2022	2%	79%	18%	96%		
SVN	2022	2%	37%	15%			
ZAF	2018	2%	16%				

Note: This table summarizes the matching rate observed in the 16 sample countries of Boas et al. (2025)

Beyond reporting gaps, voluntary strategies designed to escape the reporting requirement also constitute important loopholes. Over the past few years, researchers have documented how some individuals devised mechanisms to circumvent CRS reporting requirements.

4. Avenues to Circumvent Reporting Still Exist

Research has identified three main ways enabling circumvention of the CRS: (i) some assets are not covered by the CRS, incentivizing taxpayers to reallocate wealth to escape reporting; (ii) reporting requirement sometimes falls on investment entities with weak incentives to truthfully report; and (iii) partial implementation of the CRS leaves the door open for citizenship arbitrage.

1. Reallocate assets to fall outside the perimeter of the CRS

Not all assets are covered by the CRS. While most traditional financial assets are to be reported, real estate and crypto assets are not. Researchers at the EU Tax Observatory documented how the introduction of the CRS led to a reallocation of financial assets into the real estate market. About 9% of the money that left tax havens between 2013 and 2016 ended up in the UK real estate market, where it escaped reporting. This corresponds to approximately USD 45 billion invested in UK real estate.

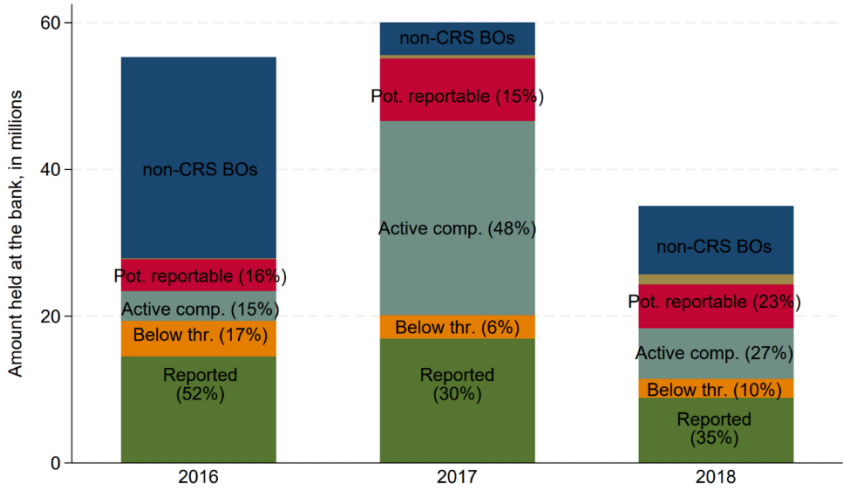
In response to these developments, international institutions have taken steps to extend the CRS reporting requirement to real estate and crypto assets in the coming years.

Even within the universe of financial assets, reporting under the CRS is not comprehensive either. The CRS distinguishes between two types of entities: Active Non-Financial Entities (ANFEs) and Passive Non-Financial Entities (PNFEs). This distinction is crucial because only PNFEs are required to share the identity of their true owners under the CRS. Active companies are companies receiving less than 50% of their income from passive sources (i.e. interests, dividends, rents, etc.) and less than 50% of their assets producing or held for the production of passive income.

In practice, the initial classification of an account relies on the owner. When opening a bank account for a company, the account holder declares whether the company is "active" (doing real business, not subject to CRS reporting) or "passive" (just holding money or investments – subject to CRS reporting). Banks staff are responsible for validating this declaration based on available information about the entity's income and activities.

In countries with limited oversight, this process creates scope for misclassification. Some companies that are really just holding money (passive) might pretend to be active businesses to avoid being reported to tax authorities. Banks, in turn, might also be tempted to classify these companies as active, either to reduce due diligence work or to preserve their clients, thereby weakening the effectiveness of the CRS.

Figure 4: CRS Coverage for Company Held Accounts: The Case of the Isle of Man



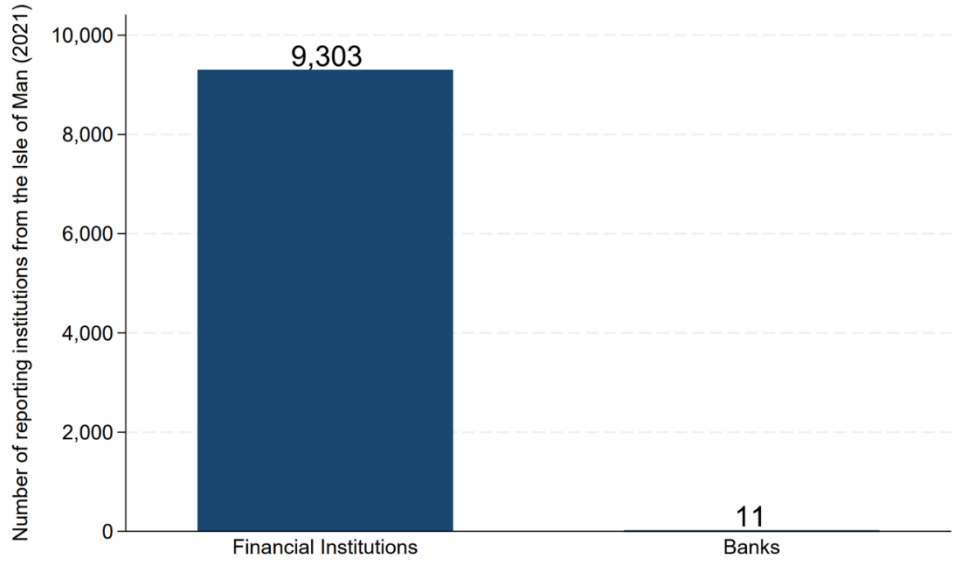
Note: This figure shows the estimated amount of deposits held by companies at Cayman National Bank in the Isle of Man on December 31, for years 2016 to 2018, broken down by reportable beneficial owners based on their reporting status. *Source: Bomare & Collin (2025).*

2. Use investment entities with low incentives to report to countries

Under the CRS, financial institutions are required to identify owners of assets from non-residents and share them with tax authorities. This can be harder for them as the true beneficial owner of a bank account lies behind a web of shell companies. As ownership structures grow more complex, due diligence costs increase, while incentives for thorough verification weaken, particularly in countries where enforcement is limited.

In principle, compliance incentives include reputation costs that are important for international financial institutions. In practice, however, many of the financial institutions subject to reporting requirements are not global financial institutions with strong reputation exposure. A recent work by Bomare & Collin (2025) analyzed leaked account data from a major bank in the Isle of Man, which had a large number of clients from countries participating in the CRS. They found that **81% of the wealth held by tax residents of CRS-participating countries was not subject to reporting by the bank itself**. Instead, a myriad of funds, trust and corporate service providers, wealth management and brokerage firms with low exposure were tasked with reporting information they hold on behalf of their clients. This is because CRS rules allowed the bank to shift the reporting responsibility to smaller, often less regulated entities. In some cases, these entities are closely held or controlled by their clients, turning third-party reporting into a form of self-reporting with limited motives to truthfully report. It is also relatively simple for a passive non-financial entity to become a financial institution in the eyes of the CRS, so long as part of the portfolio of financial assets owned by the entity is externally managed.

Figure 5: Financial Institutions reporting under the CRS & number of Banks in the Isle of Man



Note: This figure shows the number of Financial Institutions registered in the Isle of Man reporting financial accounts under the Common Reporting Standard (left-hand side) and the number of banks registered in the Isle of Man (right-hand side), both for 2021. *Source: Bomare & Collin (2025).*

3. Use citizenship arbitrage to obscure true tax residency

Not all countries participate in the CRS, while others formally participate but offer citizenship-by-investment (CBI) schemes that allow individuals to acquire citizenship rights and a new passport in exchange for relatively modest investments, sometimes as low as USD $100,000.

These schemes create opportunities for citizenship arbitrage. By acquiring nationality in a jurisdiction offering a CBI program, individuals may cause their financial information to be reported to the country of newly acquired citizenship rather than to their country of true tax residence, thereby undermining the core objective of the CRS.

Empirical evidence suggests that such schemes have had a measurable impact on offshore financial behaviour. According to Langenmayr & Zyska (2021), bank deposits in tax havens from countries with CBI schemes increased by about 50% after the introduction of these schemes in the context of nascent automatic exchange of information standards.

Recommendations

Based on the analysis carried out by researchers, the EU Tax Observatory identifies five priority avenues to tackle the remaining shortcomings of the CRS.

1. Accelerate the Extension of CRS Rules to Crypto and Real Estate

Countries have already taken steps to extend reporting requirements to crypto and real estate, but the mechanisms are yet to be implemented in a significant number of countries.

As of January 2026, 76 countries have committed to extending the automatic exchange of information to crypto-assets under CARF (Crypto-Assets Reporting Framework), and 26 countries have committed to extending the automatic exchange of information to real-estate assets under the Automatic Exchange of Readily Available Information on Immovable Property for Tax Purposes (IPI MCAA).

Under CARF, crypto-asset service providers (such as exchanges and wallet providers) must report user identities, account balances, and transaction details to their local tax authorities, which then share this information with the tax authorities of users' countries of residence. Under the IPI MCAA, countries will automatically exchange "readily available" information on real estate ownership and related income. Unlike CRS and CARF, information on real estate will not be provided by a third party under a standardized form.

Both frameworks are set to enter into force in 2027, with the first exchanges of information expected in 2028, provided that countries implement the necessary domestic reforms. Accelerating the timelines and expanding participation to a larger number of countries is essential to prevent continued asset reallocation toward non-reported categories._

2. Shift Reporting Requirements from Investment Entities to Banks and Increase Sanctions for Non-compliance

Because of the nature of their business, banks have a higher image risk and therefore a higher incentive to comply with reporting requirements. Banks should therefore be responsible for reporting all the accounts they maintain – instead of shifting reporting responsibility to investment entities such as hedge funds, private equity funds, wealth management firms, and trust and corporate service providers with lower oversight – and consequently lower incentive to comply.

Such a reform would dramatically reduce the number of institutions responsible for reporting, driving down compliance costs (on the banks' side) and enforcement costs (on the governments' side). Much of the information needed for reporting is already collected by banks under anti-money laundering regulations, limiting additional compliance costs

In parallel, monitoring and sanctions should be improved in case of non-compliance. By reducing the number of reporting entities and tightening the compliance, the identification of true owners behind shell companies should dramatically improve without significant changes in compliance costs.

3. Increase Audits and Sanctions for Non-compliant Financial Institutions

The integrity of the CRS relies on truthful reporting by financial institutions. Whilst available evidence suggests a large amount of information is now routinely reported to tax administration, early analysis of CRS information shows the integrity disproportionately relies on financial institutions in tax havens, where account balances are larger and complex ownership structures are more common. Increasing audits and, in case of non-compliance, sanctions targeted at the most vulnerable points of the framework can help increase conformity.

Increased peer reviews of the enforcement of the CRS in tax havens (where risk is greater) through the Global Forum on Transparency and Exchange of Information for Tax Purposes, which currently features more than 170 jurisdictions, is also necessary.

4. Promote Inclusive Participation and Limit Citizenship Arbitrage

Not all countries participate in the CRS. A limited number of jurisdictions have not taken steps to join the CRS. The number of countries that have committed to exchanging data on crypto-assets and real estate is more limited than that of financial assets.

Countries can access information from the CRS based on reciprocity. Such rules are important to ensure countries have interests at stake in joining. But they may represent a barrier for some countries which may lack the technical, financial, and administrative capacity to collect and transmit high-quality financial data. Relaxing reciprocity conditions for low-capacity tax administrations is paramount to ensure the full benefit of the CRS to all countries.

Some jurisdictions offer citizenship-by-investment (CBI) schemes, which facilitate citizenship arbitrage that allows individuals to avoid reporting. When they don't participate in information exchange mechanisms, they offer a direct way out of reporting. When they do participate, they can obscure the true place of tax residency in reporting schemes. Addressing abusive RBI/CBI schemes can limit incentives for countries to facilitate citizenship arbitrage.

5. Expand Transparency Requirements, Evaluation and Work Towards a Global Asset Registry

CRS matching rates fall when accounts are held by complex structures, outlining the importance of strong beneficial ownership requirements. As of 2024, 57 countries had beneficial ownership repository centralizing information about corporate beneficial ownership according to Open Ownership, with close to 60% of these providing public access. In many European countries, however, public access is now rolled back and subject to limitations.

Linking beneficial ownership data with CRS information is vital to observing the true distribution of wealth. But the dispersion of information on different classes of assets and their ownership across private companies, banks, (incomplete) national beneficial ownership registries, central securities depositories, and financial authorities makes it difficult to have a comprehensive view of wealth structures. In turn, this fragmentation limits the quality of public statistics on inequality and taxation and can facilitate tax avoidance, evasion, and money laundering.

The creation of a unified asset registry, first at the regional level, eventually at the global level, could address this issue. Such registries could build on automatic exchange of information standards to help link information across registers for different types of assets. Information could be cross-checked by specialized personnel tasked with gathering and linking wealth information across all asset types.

A well-designed asset registry will require further evaluation of exchange mechanisms. This will require a dramatic improvement of the data available to monitor the proper functioning of the CRS.

The bilateral exchange of information is currently not observed by anyone beyond the two exchanging countries. Progress could be made by relaxing some of the regulations constraining the use of CRS information to “tax purposes”.

The OECD and national tax authorities also need to dramatically improve statistical reporting on the CRS, including country disaggregation of ownerships, distribution of the wealth, income associated, etc. To begin with, a simple step would be for the OECD to collect and publish statistics on where the CRS-reported wealth is held. This information should also be published by countries.

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