Tax Transparency and Cooperation: Only Way Out of the Labyrinth?

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"We don't have plan B because there is no planet B."

- former UN Secretary-General Ban Ki-moon

I. Introduction

In an era marked by an increasingly interconnected global economy, illicit financial flows ("**IFFs**") pose a formidable challenge to sustainable development and economic integrity. The 2030 Agenda for Sustainable Development resounds the eminent need to reduce IFFs as they continue to drain the exchequers and hinder the mobilisation of resources needed to invest in areas like health, education, food security, infrastructure, and environmental protection. Tax cooperation and transparency have emerged as the strongest options for combating this internationally.

This essay provides a brief overview of historical events that led to the emergence of international tax cooperation and transparency, focusing on how IFFs have been a major reason. It also examines the key internationally accepted frameworks that address these issues, including the Common Reporting Standard ("**CRS**"), Country-by-Country Reporting ("**CbCR**"), and public registries for beneficial ownership. Lastly, the essay highlights the challenges in implementing and strengthening these measures.

II. Early Development of Tax Cooperation

As democratic systems developed, particularly from the 16th to 18th centuries, there were calls for tax transparency to hold governments accountable.[1] However, inter-governmental tax cooperation was minimal.

With trade expansion in the early 1900s, concerns arose around double taxation, where income could be taxed in multiple jurisdictions, creating barriers for cross-border commerce. Countries started forming bilateral tax treaties to prevent double taxation and allow exemptions. The League of Nations in the 1920s encouraged such treaties to support international cooperation, setting a precedent for the future. This eventually resulted in the creation of Model Conventions in 1943 and 1946.[2] However, these Model Conventions did not achieve unanimous acceptance

[1] As stated by Richard Bonney, *The Rise of the Fiscal State in Europe, C.1200-1815*, Pg 83, "……information from twenty-nine counties reached London, and it was used as the basis for a forced loan, a subsidy and the demand for an 'Amicable Grant' which produced such strong resistance that Henry VIII disowned the request in 1525…."

[2] Brian J. Arnold, *An introduction to tax treaties*, Para 17, Pg. 4.

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until the task to develop a widely acceptable model treaty was taken up by the Organisation for Economic Co-operation and Development ("**OECD**") which led to the formation of the first OECD Model Tax Convention in 1963.

In 1968, the United Nations ("**UN**") commenced work on its Model Tax Convention to promote equitable tax distribution between developing and developed nations, enhance international cooperation, and clarify taxing rights.

By the mid-20th century, various jurisdictions, popularly termed "tax havens", had developed low or no-tax regimes, attracting individuals and businesses to shift income offshore. This trend highlighted the need for more transparent practices and intergovernmental coordination. These tax havens attract foreign capital by offering minimal or zero tax rates, strict confidentiality laws, and limited financial transparency. While international efforts to address tax policy were underway, particularly in developing agreements on double taxation, these tax haven jurisdictions often went unaddressed.

States promoting tax havens largely ignored the impact on global tax systems and chose not to engage with measures that would curb these practices, benefiting instead from the influx of foreign assets and revenue. As a result, these havens became central nodes in global tax evasion and avoidance networks, complicating efforts to establish fair and comprehensive international tax standards.[3]

The secrecy surrounding these tax havens complicated the international efforts to trace and repatriate funds moved across borders through methods that violate legal or regulatory frameworks, such as tax evasion, money laundering, and profits from corruption or criminal enterprises.

III. TAX MOTIVATED ILLICIT FINANCIAL FLOWS

IFFs are a major issue for the global economy, depriving countries of critical revenue needed for development and stability. IFFs disproportionately impact developing nations by reducing the resources available for essential services like healthcare, education, and infrastructure,

[3] As stated by Sunita Jogarajan, *Double Taxation and the League of Nations*, Pg.30, "Switzerland always maintained that double taxation and tax evasion should be dealt with separately. Switzerland could conclude DTAs, but could not conclude any treaties targeting tax evasion due to political circumstances. The Swiss government did not envision participating in any measures relating to administrative or judicial assistance. The Experts agreed and decided to consider double taxation first. Due to the firm Swiss position, the League developed separate treaties on double taxation and tax evasion, unlike the OECD Model, which addresses both issues."

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perpetuating inequality and poverty. With vast sums shifted abroad each year, IFFs drain public coffers, diminish financial transparency, and distort economic development.

The World Bank refers to IFFs as follows:

> *".....cross-border movement of capital associated with illegal activity or more explicitly, money that is illegally earned, transferred or used that crosses borders.*
>
> *This falls into three main areas:*
>
> - *The acts themselves are illegal (e.g., corruption, tax evasion); or*
> - *The funds are the results of illegal acts (e.g., smuggling and trafficking in minerals, wildlife, drugs, and people); or*
> - *The funds are used for illegal purposes (e.g., financing of organized crime)."*[4]

While the World Bank sees the roots of IFFs in illegal activities, there is an ongoing global debate about whether IFFs should also encompass tax avoidance. Some argue that aggressive tax avoidance undermines public revenue and thus falls within the spirit of IFFs, particularly when multinational corporations ("**MNE(s)**") shift profits to tax havens.

The UN Trade and Development ("**UNCTAD**") provides a broader definition of IFFs, which includes tax avoidance and is used to measure progress toward the Sustainable Development Goals target for curbing IFFs:

> *"Illicit financial flows refer to activities considered as criminal offences, but also some behaviours related to tax and commercial practices…………… The proposed framework identifies four main types of activities that can generate IFFs: 1) tax and commercial activities; 2) illegal markets; 3) corruption; and 4) exploitation-type activities and financing of crime and terrorism."*[5]

The tax-related aspects of IFFs involve the illegal or illicit cross-border movement of money tied to tax evasion and, in some cases, tax avoidance, depending on whether a narrow or broad

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[4] World Bank, *Illicit Financial Flows*, October 24, 2024, available at: https://www.worldbank.org/en/topic/financialsector/brief/illicit-financial-flows-iffs#:~:text="Money%20illegally%20earned%2C%20transferred%2C,illicit%20financial%20flows%20(IFFs).

[5] UNCTAD and UNODC, *Conceptual framework for the statistical measurement of illicit financial flows*, October 2020, Para. 6, Pg. 7.

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definition is used. This could include transfer mispricing, where multinational corporations manipulate prices between their subsidiaries to shift profits to low-tax jurisdictions or use tax havens to hide assets and income from tax authorities.[6]

Rise of IFFs has been a driving force behind the initiation of international tax cooperation and the global call for tax transparency. For developing nations, these losses are critical, diverting resources that could otherwise support essential services and economic development. Recognising the scale of this issue, international organizations like the OECD, the United Nations, and the Financial Action Task Force ("**FATF**") have advocated for tax transparency and collaboration between tax authorities globally.

IV. Global Initiatives for Transparency and Cooperation

By the 1970s and 1980s, some countries began to include provisions for the exchange of tax information in their bilateral treaties. The provisions largely focused on reducing double taxation and had limited capacity for addressing aggressive tax avoidance, tax evasion, and illicit financial flows. Although limited in scope and often conducted upon request, these agreements laid the foundation for more systematic exchange frameworks.[7]

In the early 2000s, a UN High-level Panel on Financing for Development[8] was set up with the intent to universalise international tax governance. It recommended setting up an International Tax Organisation ("**ITO**"). Its proposed functions were to, *inter alia*, develop tax policy, keep tax competition in check, develop norms for tax administration and develop a tax-specific dispute resolution mechanism.

However, the OECD's Harmful Tax Practices Project, initiated in 1998 and backed by the G7 countries, was the stepping stone for modern tax cooperation and transparency standards.

In continuation to the 1998 project, the Global Forum on Transparency and Exchange of Information for Tax Purposes ("**Forum**") was set up by the OECD in 2000 to facilitate and

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[6] EU-Directorate General for International Partnerships, *Study on Tax Motivated Illicit Financial Flow*, Para. 2, Pg. 13.

[7] Steven Dean, *The Incomplete Global Market for Tax Information*, 2008, 49 Boston College Law Review 605 at 650.

"TIEAs were developed in response to a 1981 US report on tax evasion, which suggested that TIEAs could make tax evasion more difficult by closing the gap in the DTA network, an attractive prospect, as the United States did not have DTAs with most of the jurisdictions that were generally considered tax havens".

[8] United Nations, *Report of the High-level Panel on Financing for Development*, 2001, available at: https://digitallibrary.un.org/record/449151?v=pdf

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accelerate the exchange of Information between OECD member states and tax havens. However, in 2009, after the 2008-09 global recession, the Forum underwent a major restructuring exercise in response to the demands posed by the G20 member countries. The core mission of the forum is to ensure that countries adopt the exchange of information mechanism as per the globally accepted standards.[9]

In 2013, the OECD and G20 launched the Base Erosion and Profit Shifting ("**BEPS**") project, focusing on tax planning strategies used by multinational corporations to shift profits to low or no-tax jurisdictions. The project's 15 Action Plans encouraged standardised reporting and aimed to close loopholes, with countries worldwide adopting measures to ensure tax was paid where profits were generated.

A. Common Reporting Standard

The OECD introduced the CRS[10] in 2014, establishing an automatic exchange of information among countries. This was inspired by the US Foreign Account Tax Compliance Act ("**FATCA**"), which required non-US financial institutions to report accounts held by US taxpayers with an intent to combat offshore tax evasion.

Under the CRS, financial institutions of the participating countries are required to report information about account holders, which includes non-resident individuals and entities, to their local tax authorities. This collected information is then exchanged with the tax authorities of other jurisdictions annually.

The CRS disclosure standards comprise identifying, documenting, and reporting specific financial information by financial institutions for tax purposes. These standards aim to provide tax authorities with easy availability of detailed data on financial assets held by foreign residents. Following is the detailed breakdown of the key disclosure standards under CRS:

i. <u>Reportable Accounts and Account Holders</u> – Financial institutions[11] are required to identify accounts held by tax residents of the CRS participating jurisdictions other than the home jurisdiction. Then, it is to be determined whether account holders are

[9] Yurika Ishii, *International Law and the Global Forum on Transparency and Exchange of Information for Tax Purposes*, November 13, 2017, Vol. 2, Iss. 13.
[10] OECD, *Standard for Automatic Exchange of Financial Account information in tax matters*, 2014
[11] OECD, *Standard for Automatic Exchange of Financial Account information in tax matters*, 2017, Pg. 44, "The term "Financial Institution" means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company"

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individuals or entities and identify any "Controlling Persons"[12] behind entity accounts. Controlling persons here means beneficial owners with significant ownership or control. With the above information, due diligence processes are required to confirm whether an account holder's tax residency makes the account reportable by cross-checking the Know Your Customer ("**KYC**") declaration and self-certification.

ii. Reportable Financial Information – The financial information disclosed under CRS includes the following:

- Account Holder's Name, address, tax identification number, date, and place of birth (for individuals).
- End-of-year balance or value, as well as income earned during the year
- Proceeds from sales or redemptions of financial assets within the account.

iii. Types of Reportable Accounts – CRS covers a broad range of account types and includes the following:

- Depository Accounts such as savings accounts or certificates of deposit.
- Custodial Accounts for holding financial assets such as stocks, bonds, and mutual funds.
- Equity and Debt Interest in certain investment entities, like mutual funds.
- Cash Value Insurance Contracts and Annuities: Financial accounts in insurance products where cash values are assigned.

iv. Self-Certification Requirement – Account holders are required to provide a "self-certification" confirming their tax residency status and, where relevant, the tax residency of controlling persons. Financial institutions are then required to validate self-certifications to ensure accuracy and identify any discrepancies in compliance.

[12] OECD, *Standard for Automatic Exchange of Financial Account information in tax matters*, 2017, Pg. 198, "For an Entity that is a legal person, the term "Controlling Persons" means the natural person(s) who exercises control over the Entity. "Control" over an Entity is generally exercised by the natural person(s) who ultimately has a controlling ownership interest in the Entity"

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v. Annual Reporting by Financial Institutions – Participating jurisdictions are required to establish deadlines for annual CRS reporting. The information is filed with the local tax authority and often electronically, Once the data is compiled, the tax authority automatically exchanges the information with relevant jurisdictions under the CRS framework.

vi. Third-Party Reporting and Documentation – Financial institutions are required to retain records related to reportable accounts, including due diligence documents, self-certifications, and transactional data for at least five to seven years, depending on the jurisdiction. Tax authorities can audit institutions for CRS compliance and impose penalties on those who do not fulfil CRS obligations.

India adopted CRS in 2015 as part of its commitment to the Global Forum on Transparency and Exchange of Information for Tax Purposes. The Income Tax Department in India, acting as the Competent Authority, is responsible for collecting CRS data from financial institutions and sharing it with the relevant jurisdictions.

The Central Board of Direct Taxes ("**CBDT**") has issued detailed guidelines[13] and a regulatory framework for CRS compliance. The framework mandates banks and financial institutions to conduct due diligence and report account holders' details of those who meet the criteria of being foreign tax residents. The regulatory mechanism also includes strict compliance checks, where entities failing to report correctly are subjected to penalties.

CBDT plays a pivotal role in overseeing and enforcing CRS compliance across Indian financial institutions. As part of its guidelines, CBDT has implemented rules and routinely amended such rules for the financial institutions to identify non-resident account holders, including KYC norms to streamline the identification and verification of foreign tax residents.

Despite the challenges, CRS offers several advantages to developing countries in general to fight against tax evasion and efforts to improve financial transparency:

i. Enhanced Tax Compliance – With the implementation of CRS, Indian tax authorities now have greater access to information about Indian citizens holding offshore

[13] CBDT Guidance notes on the implementation of reporting requirements under Rules 114F to 114H of the Income-tax Rules 1962, dated August 31 2015.

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accounts. This has enabled them to scrutinize previously hidden financial assets and reduce tax evasion.

ii. Reduction of Black Money – The Indian government has made substantial efforts to reduce the flow of unaccounted or black money. CRS acts as a powerful tool in these efforts by revealing undisclosed foreign financial accounts.

iii. Improved Global Standing – India's participation in CRS enhances its credibility and standing on the global stage, reinforcing its commitment to financial transparency. This commitment can have positive implications for foreign investments, as transparency in tax matters boosts investor confidence.

iv. Strengthening Financial Institutions – CRS has compelled Indian financial institutions to improve their KYC and compliance processes. This development enhances the integrity of the financial sector, making it more resilient against illicit activities like money laundering.

v. Cross-Border Cooperation – CRS facilitates greater cooperation between Indian and foreign tax authorities, promoting mutual assistance and the sharing of critical information that can be used to detect and deter cross-border tax evasion.

B. Development of Crypto-Asset Reporting Framework

With the rapid acceptability of digital currencies (also known as cryptocurrencies or virtual digital assets) as alternate currencies, the OECD has strongly pushed to integrate reporting standards for these assets within frameworks like CRS to address potential gaps in tax compliance.

Digital currencies, due to their decentralized and often pseudonymous nature, present the following unique challenges for financial transparency and tax compliance:

i. Cryptocurrencies allow users to transfer assets across borders with little oversight, potentially enabling tax evasion.

ii. Traditional financial institutions act as intermediaries to report account information under CRS. However, digital currency transactions on decentralized platforms may lack intermediaries, complicating reporting requirements.

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iii. Many digital currencies emphasise privacy, making tracking ownership and tax residency challenging.

Recognising the challenges digital currencies pose to tax systems, the OECD has been working on a new framework called the Crypto-Asset Reporting Framework ("**CARF**") to complement the CRS. It aims to standardise reporting requirements for digital currencies and virtual assets.

CARF covers not only cryptocurrencies but also other forms of digital assets like stablecoins, non-fungible tokens ("**NFTs**"), and some digital derivatives. Just like CRS, it would also require exchanges and wallet providers to conduct due diligence, which includes KYC checks, to identify and report the crypto-asset holder's tax residency and the details of the transaction.

It imposes reporting obligations on digital asset exchanges, wallet providers, and certain decentralised finance ("**DeFi**") platforms that facilitate crypto transactions.

OECD's work in CARF may pave the way for including digital assets under CRS, but a global consensus on the classification and treatment of digital assets is essential. From an Indian perspective, financial institutions and crypto exchanges in India may need to invest in advanced compliance and reporting infrastructure to meet the potential CRS standards for digital assets. Account holders should be educated on new reporting standards as digital currency holders may be subjected to disclosure obligations similar to those suggested under CRS.

India has not yet integrated CARF standards within CRS, as CARF is still under development. However, India has introduced a withholding and capital gains tax on digital asset transactions, which aligns with the government's intent to track and tax crypto transactions.

If India adopts CARF standards, Indian crypto exchanges and wallet service providers would be required to report information similar to CRS, including identifying account holders, their tax residency, and transactions.

C. Country-by-Country Reporting

CbCR is a framework designed by the OECD under its BEPS Action Plan 13. It requires multinational enterprises to report financial and tax-related data on a country basis. The primary goal is to enhance transparency and allow tax authorities to better assess whether MNEs are engaging in profit-shifting practices, where profits are moved to low-tax jurisdictions to reduce their tax burden. Following are the key features of CbCR:

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i. Information Required Under CbCR – MNEs are required to provide detailed information about their global activities in each jurisdiction where they operate. This includes the following:

- Revenue from both unrelated and related transactions.
- Profit or Loss before computing Income Tax
- Tax paid on an actual basis and tax accrued, as it may differ due to timing differences or deferred taxes.
- Total number of employees in each jurisdiction, reflecting the economic presence of the entity.
- Non-monetary assets, such as buildings and equipment.
- List of Entities and Nature of Business Activities

ii. Threshold for Reporting – CbCR applies to large MNEs with consolidated group revenue exceeding a specific threshold, typically €750 million or equivalent in local currency. This threshold limits CbCR requirements to only the largest MNEs, which significantly impacts global tax revenues. In India, MNEs with consolidated revenue of ₹6,400 crore or more are subject to CbCR.

iii. Reporting and Submission – The ultimate parent company of an MNE group is responsible for filing the CbCR with its local tax authority, which then shares the report with tax authorities in other jurisdictions where the MNE operates. Reports are typically filed annually, in alignment with the parent company's tax year. As per the Income-tax Act, 1961 ("**Act**"), if the ultimate parent of the MNE is not in India and does not have a CbCR arrangement with India, then a local filing requirement applies, where an Indian entity within the group may be required to file the CbCR. By requiring detailed, country-specific reporting, CbCR enables tax authorities to detect where profits may be artificially shifted to low-tax jurisdictions. It helps tax authorities assess whether MNEs report profits and pay taxes in line with their economic activities and presence in each country.

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The framework also imposes additional responsibilities upon MNEs, which makes collecting and reconciling data across jurisdictions challenging, especially when systems and accounting practices vary. Even after complying with the reporting standards, MNEs may get adversely impacted as tax authorities might misinterpret data without full context, potentially leading to unjustified tax adjustments or audits. However, if seen from the lens of the tax authorities, CbCR has been a valuable tool for tax authorities worldwide, increasing transparency and aiding in the detection of tax avoidance practices.

When looked at from the companies' internal management point of view, CbCR encourages greater alignment of profits with actual economic activity and improves tax compliance and corporate governance. There is also an ongoing debate about making CbCR data publicly available to promote corporate transparency.

Further, the OECD's Pillar Two, which introduces a global minimum tax, also known as the GloBE Rules, has introduced a tax information declaration framework based on the existing CbCR to ensure ease of compliance from the MNEs.[14]

India introduced CbCR by adding Section 286[15] of the Act through the Finance Act of 2016. Section 286(2) of the Act requires the parent entity or the alternate designated reporting entity

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[14] OECD, *Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two),* December 2023, Pg. 9.

[15] Section 286 of the Income-tax Act, "(1) Every constituent entity resident in India, shall, if it is constituent of an international group, the parent entity of which is not resident in India, notify the prescribed income-tax authority (herein referred to as prescribed authority) in the form and manner, on or before such date, as may be prescribed,—

(a) whether it is the alternate reporting entity of the international group; or

(b) the details of the parent entity or the alternate reporting entity, if any, of the international group, and the country or territory of which the said entities are resident.

(2) Every parent entity or the alternate reporting entity, resident in India, shall, for every reporting accounting year, in respect of the international group of which it is a constituent, furnish a report, to the prescribed authority within a period of twelve months from the end of the said reporting accounting year, in the form and manner as may be prescribed.

(3) For the purposes of sub-section (2) and sub-section (4), the report in respect of an international group shall include,—

(a) the aggregate information in respect of the amount of revenue, profit or loss before income-tax, amount of income-tax paid, amount of income-tax accrued, stated capital, accumulated earnings, number of employees and tangible assets not being cash or cash equivalents, with regard to each country or territory in which the group operates;

(b) the details of each constituent entity of the group including the country or territory in which such constituent entity is incorporated or organised or established and the country or territory where it is resident;

(c) the nature and details of the main business activity or activities of each constituent entity; and

(d) any other information as may be prescribed.

…………………………..."

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of the MNE group to furnish a country-by-country report to the prescribed authority by the due date, which is typically 12 months after the end of the reporting fiscal year.

As per Section 286(3) of the Act, the CbCR report must include aggregate information on the global allocation of income, profit, taxes paid, and economic activities across jurisdictions. This includes information on revenue, profit or loss before income tax, income tax paid and accrued, stated capital, accumulated earnings, number of employees, and tangible assets in each jurisdiction.

Penalty is prescribed for non-compliance with Section 286 of the Act, including failure to furnish the report or submitting inaccurate information.

D. Beneficial Ownership Transparency and Public Register of Beneficial Owners

A key problem with complex corporate structures is the difficulty in identifying the beneficial owners — the persons who ultimately own, control, or gain from a company's operations. Many countries either do not require disclosure of this information or allow companies to obscure ownership through layers of entities registered across various jurisdictions.

The accessibility of beneficial ownership information of legal entities is essential for promoting tax transparency and combating financial crime.

Following is the definition of beneficial ownership prescribed by FATF in 2003:

> *"Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement."*[16]

While international efforts like the OECD's BEPS initiative address some of these challenges, the complexity and opacity of corporate structures continue to present a major obstacle.

A public registry of beneficial owners for all legal entities, along with public country-by-country reporting of financial information by multinational corporations, are essential steps in combating financial secrecy and tax avoidance practices.

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[16] FATF, *Transparency and Beneficial Ownership*, 2014, Box 1, Pg. 8.

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However, the absence of a standardised reporting norm globally makes it even more challenging. To improve tax transparency, there is a need for stronger international cooperation, stricter regulations, and increased resources for tax authorities to counter the sophisticated strategies employed by taxpayers to reduce their tax liabilities.

V. CHALLENGE WITH PRIVACY AND DATA PROTECTION

Right to privacy is a fundamental right which allows individuals to make autonomous life choices without material external disturbance. As more data is shared with the tax authorities, concerns about taxpayer privacy and data security have intensified, prompting regulators to seek a balance between transparency and confidentiality.

OECD defines confidentiality as follows:

> *"the information exchanged is used and disclosed only in accordance with the agreement on the basis of which it is exchanged"*[17]

The FATCA contains a rule for protecting the secrecy of the automatically exchanged information. Similarly, Article 26(3)(c) of the OECD Model Tax Convention states that the contracting states may refrain from providing information which would disclose any trade, business, industrial, commercial or professional secret of trade process, or information, the disclosure of which would be contrary to public policy.

However, Article 26(5) of the OECD Model Tax Convention states that a state may not refrain from the exchanging information because it is held by a bank, other financial institution, nominee or person acting in an agency or fiduciary capacity or because it relates to an ownership interest in a person.

Therefore, it can be understood that the OECD Model Convention, in its current form, does not address the issue of privacy and data protection. However, in the absence of material guidance on privacy aspects, it calls upon the taxpayers to be careful while declaring the information.

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[17] OECD, *Keeping It Safe: The OECD Guide on the Protection of Confidentiality of Information Exchanged for Tax Purposes,* 2012, Pg. 5.

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For instance, under the CRS, financial institutions in India must inform account holders of CRS requirements and seek their consent to collect and share information. However, account holders need to be more aware of their rights and obligations.

Therefore, there is a responsibility upon the financial institutions to make the account holder understand the rights and responsibilities, especially in case excessive information is collected or is retained for a long time from the account holders.

One solution to ensure secure information exchange between tax authorities is to invest significantly in technology and establish a robust cyber infrastructure. This system should incorporate advanced encryption, secure authentication protocols, and real-time monitoring to prevent unauthorized access and data breaches.

By developing a dedicated cyber framework tailored to handle sensitive tax information, authorities can foster a safe environment for cross-border data sharing, allowing tax cooperation efforts to operate smoothly. An example of this is the Electronic Origin Data Exchange System ("**EODES**") between India and South Korea.[18]

While it is challenging to find a perfect balance between sharing information and upholding the spirit of privacy laws, efficient cooperation mechanisms aided by technology should keep the IFFs in check.

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[18] Ministry of Finance, *Annual Report 2023-24*, Pg. 122, EODES between India and South Korea's customs administrations was launched on December 6, 2023. EODES aims to facilitate the smooth implementation of the India-Korea Comprehensive Economic Partnership Agreement by way of electronic exchange of origin information between the two customs administrations regarding the goods traded under the India-Korea Agreement. The data fields in a Certificate of Origin shall be electronically shared by the exporting customs administration with the importing customs as soon as the certificate is issued. This would facilitate faster clearance of imported goods.

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