



# **TAX TRANSPARENCY**

THE NEW GLOBAL REPORTING STANDARD

# A COMMON REPORTING STANDARD ACROSS THE WORLD

## The goalposts in international tax reporting are moving rapidly.

In conjunction with the G20, the OECD developed the Common Reporting Standard (CRS) as a global standard for the automatic exchange of information. This was approved by the OECD Council in July 2014, and in October 2014 over 50 jurisdictions confirmed adoption of the CRS by signing a multilateral competent authority agreement. Nearly 50 jurisdictions began exchanging data in 2017 with a further 53 participating in 2018. A number of jurisdictions have not yet set a date for participation. The first exchange of information under the CRS takes place on 30 September 2018.

View our interactive map to get a wider picture of global adoption of the CRS, on [page 3](#).

## HOW IT WILL WORK

Financial Institutions (FIs), which include banks, insurance companies, trusts, TCSPs, collective investment vehicles, funds of all types, private equity groups, 'carry' vehicles, brokers and even charities, will be compelled under domestic law to provide their local taxation authorities with financial data on relevant persons (ie the beneficial owners of bank accounts and those with an interest in trusts and other entities) who are resident in other participating countries. This data will be passed automatically to the relevant countries (within nine months of the end of the relevant calendar year) in a standard format that can easily be imported into the taxpayer databases of each country. The data will be analysed to identify those who may have evaded or avoided tax and even those who may simply have made an error in their tax returns. As with FATCA, the FIs that must provide data include banks, other depository and custodial institutions, investment entities and some insurance companies. However, unlike FATCA, there are fewer exempt institutions.

Local reporting FIs will have due diligence obligations which differ for new and existing accounts, high and low value accounts as well as individual and entity accounts. The obligation will include a review of electronic data for evidence of where each of their customers is resident (including PO boxes, 'care-of' addresses, 'hold mail' instructions and standing instructions to send funds to resident based accounts) but could also include a 'paper search' of existing documents, self-certification by the client and an 'actual knowledge' test for client relationship managers.

## WHOSE DATA WILL BE EXCHANGED

Reporting is in respect of financial accounts, which includes bank accounts, custodial accounts, debt and equity investments as well as interest in trusts and partnerships, but also includes interests in trusts and other entities. Passive entities will be 'looked through' with reporting taking place in respect of the controlling persons of those entities. Note that the US\$50,000 de minimis threshold, that applies to individuals, applies under the FATCA is not replicated in the CRS so many more account holders will need to be identified and reported on.

## REPORTABLE INFORMATION

About the owner/s	About the asset	Income / gains / movements
Full name	Name of the financial institution and its identifying number	Gross interest received
Address	Type of asset (financial accounts/ products as well as interests in trusts/holding entities)	Dividends received
Date of birth	Local account number / identifier	Gross capital sale proceeds received into account
Place of birth	End of the year balance for cash deposits	Any other income derived from financial assets
Tax identification number	Cash value for other assets	Amounts credited to the beneficial owners

## A TIMELINE OF RECENT CHANGES IN GLOBAL TRANSPARENCY AND REPORTING

### 15 JULY 2014

Common Reporting Standard (CRS) as a global standard for the automatic exchange of information approved.

### 2017

Early adopters commit to the CRS, including the UK.

[View our interactive map to see which countries adopted the CRS, and which aren't participating.](#)

### 2018

Over 50 second wave adopters commit to the CRS.

UK government agrees not to oppose an amendment to the Sanctions & Anti-money laundering bill, meaning it will include clauses forcing British Overseas Territories to make publicly publish registers of company beneficial owners by 2020.

### BY 31 DECEMBER 2019

Mandatory disclosure procedures must be implemented by member states.

### OCTOBER 2014

Over 50 jurisdictions confirmed adoption of the CRS by signing a multilateral competent authority agreement.

### APRIL 2017

Requirement to Correct period begins – requiring taxpayers with overseas assets to correct any issues with their historic UK tax position.

### MARCH 2018

OECD issues new mandatory disclosure rules requiring intermediary advisers to inform tax authorities of any schemes they put in place for their clients to avoid reporting under the OECD/G20 Common Reporting Standard (CRS).

### 30 SEPTEMBER 2018

Common Reporting Standard information exchange begins  
Requirement to Correct deadline -beginning of Failure to Correct regime.

## IMPLICATIONS FOR YOU AND YOUR CLIENTS

### Implementing the CRS will place significant responsibilities on FIs.

With so many countries involved, such a wide range of assets covered and a very broad spectrum of owners and asset controllers to report on, even those already reporting under FATCA will see a step change in their compliance tasks.

Clearly, communicating effectively with clients will be key to managing these new responsibilities: all customers (including controllers of certain entities resident overseas) will have to be informed about the new reporting requirements for participating countries, and be asked to provide identifying information. An area of concern may be establishing the country or countries in which a taxpayer is tax resident. In many cases the taxpayer should be able to self-certify. However, in certain cases the situation may be complex. FIs and their clients need to ensure that the information held by the FI accurately reflects the true tax position.

Although it will be a difficult message to give to clients, it is vital that they are warned of potential tax consequences of reporting under the CRS. If the relevant income or gains that will be reported from 2017 have not previously been reported in their country of residence (even for legitimate reasons) they are likely to be investigated by the local tax authorities and could face a large tax bill or worse. No matter which country they live in, putting any tax irregularities right or simply explaining their overseas assets to the tax authorities before the new reporting starts is always likely to be the best option.

### Are you a Financial Institution?

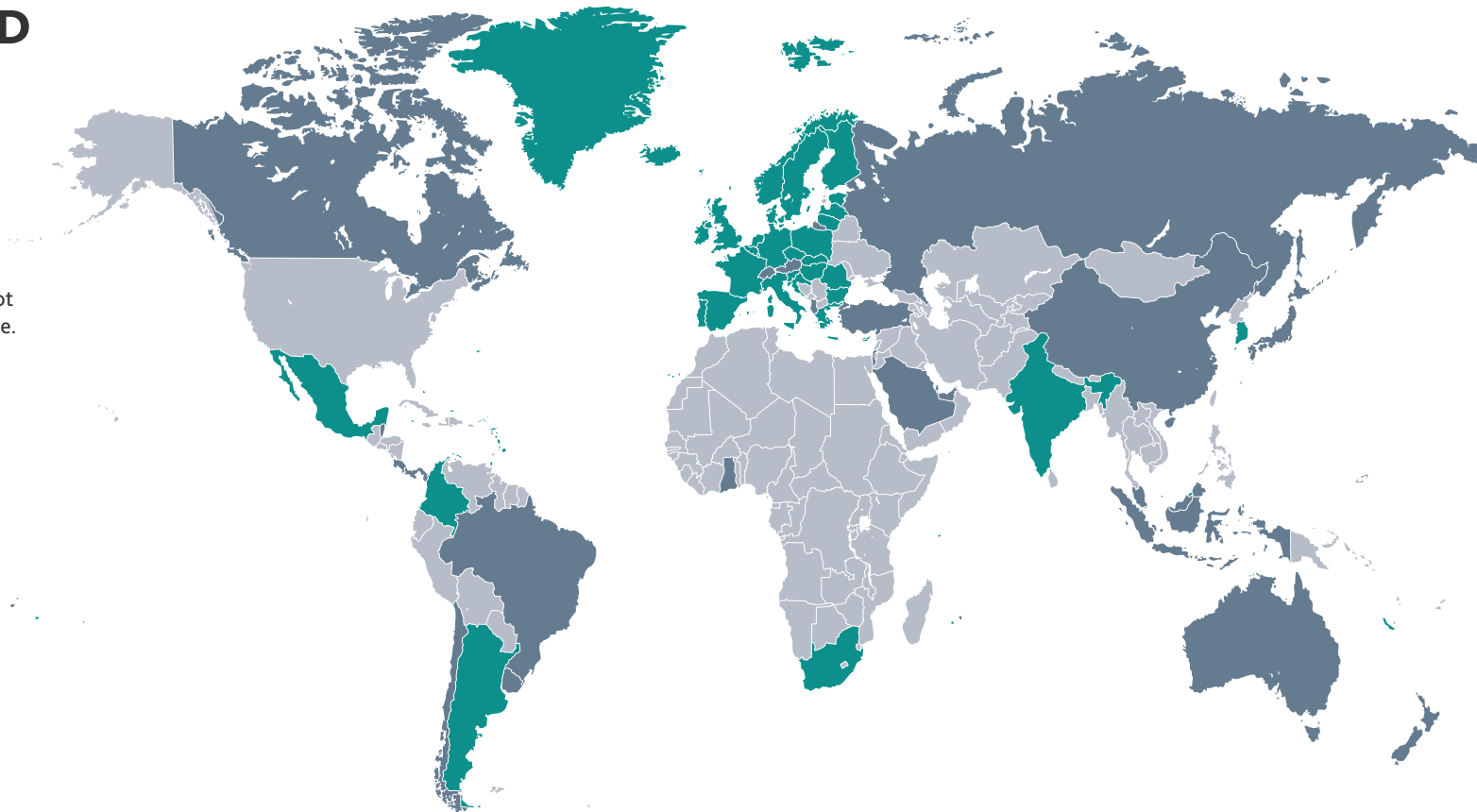
Many entities around the world are unexpectedly classified as FIs under the CRS, and so urgently need to consider the implications as a result.

Use our [CRS quick-check tool](#) to identify whether your business needs to consider its exposure under the legislation in more detail.



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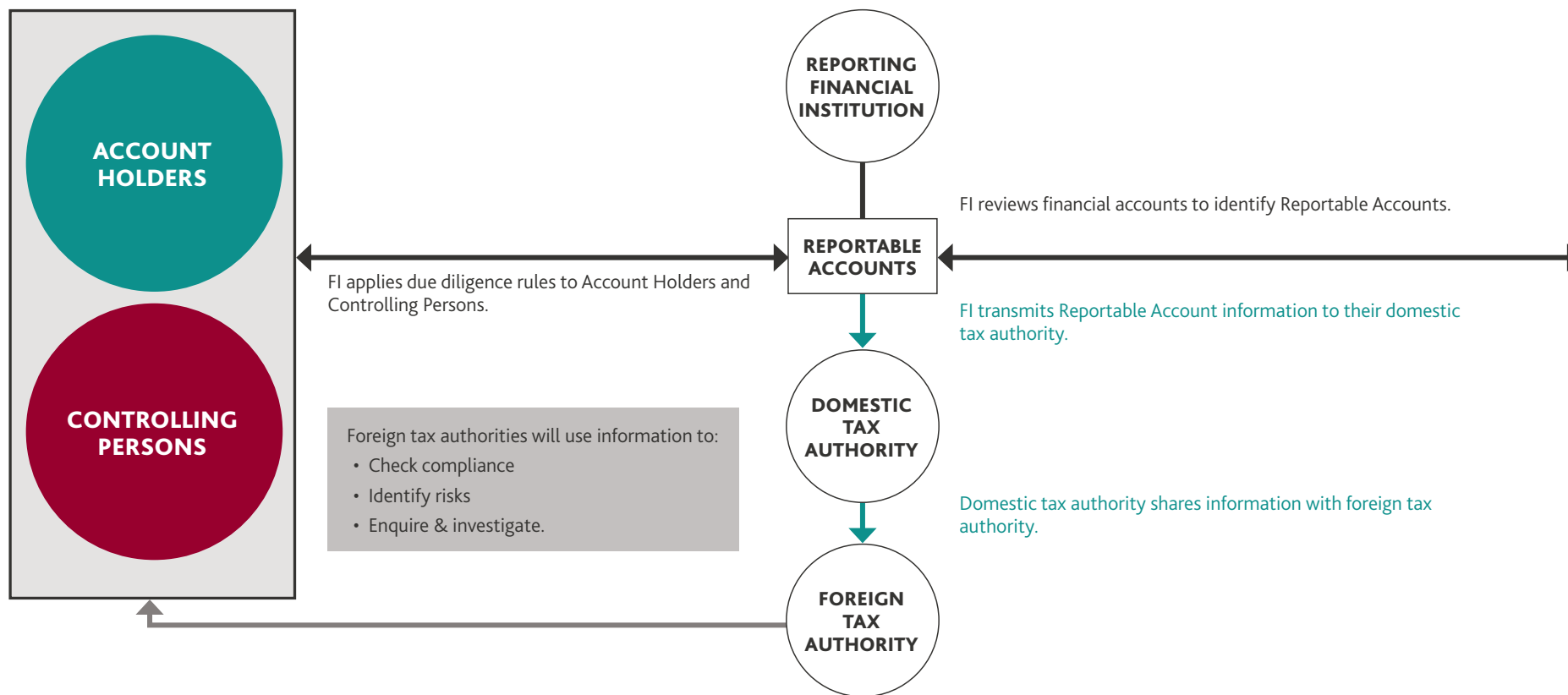
View our interactive map which demonstrates which countries have adopted the CRS, and when they will begin exchange of information – as well as those jurisdictions who are not participating or have not declared their adoption date.



- JURISDICTIONS EXCHANGING DATA SINCE 2017 - EARLY ADOPTERS
- JURISDICTIONS EXCHANGING DATA IN 2018 - SECOND WAVE ADOPTERS

# EXCHANGE OF INFORMATION FRAMEWORK

The CRS provides the framework by which FIs will review and report customer information.



FOR ADVICE ON HOW WE CAN ASSIST  
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