

# THE COMMON REPORTING STANDARD (CRS) WORKSHOP

Doha, Qatar  
September 2018

**Training and assistance for implementing and complying with the CRS**

# AEOI Workshop Objectives

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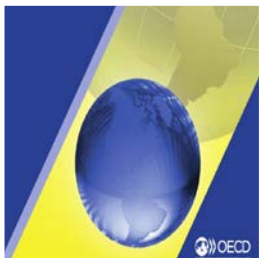
- Overview of AEOI and the CRS.
- Detailed training on the CRS to help Financial Institutions implement it.
- Overview on administrative issues and IT functionality.

# SESSION 1

## INTRODUCTION TO AUTOMATIC EXCHANGE OF INFORMATION OF FINANCIAL ACCOUNT INFORMATION (CRS AEOI)



# Need-to-know acronyms



GF = Global Forum



CRS = the global OECD system, a.k.a. “Common Reporting Standard”, “the AEOI standard”, “the Standard”

EOIR = exchange of information on request



FATCA = the United States system (Foreign Account Tax Compliance Act)



AEOI = all forms of automatic exchange (Country by Country Reporting (CbCR), exchange of tax rulings (ETR)... but often used to refer to the Common reporting standard (CRS ) only



MAC = the multilateral treaty for all EOI and other administrative assistance in tax matters

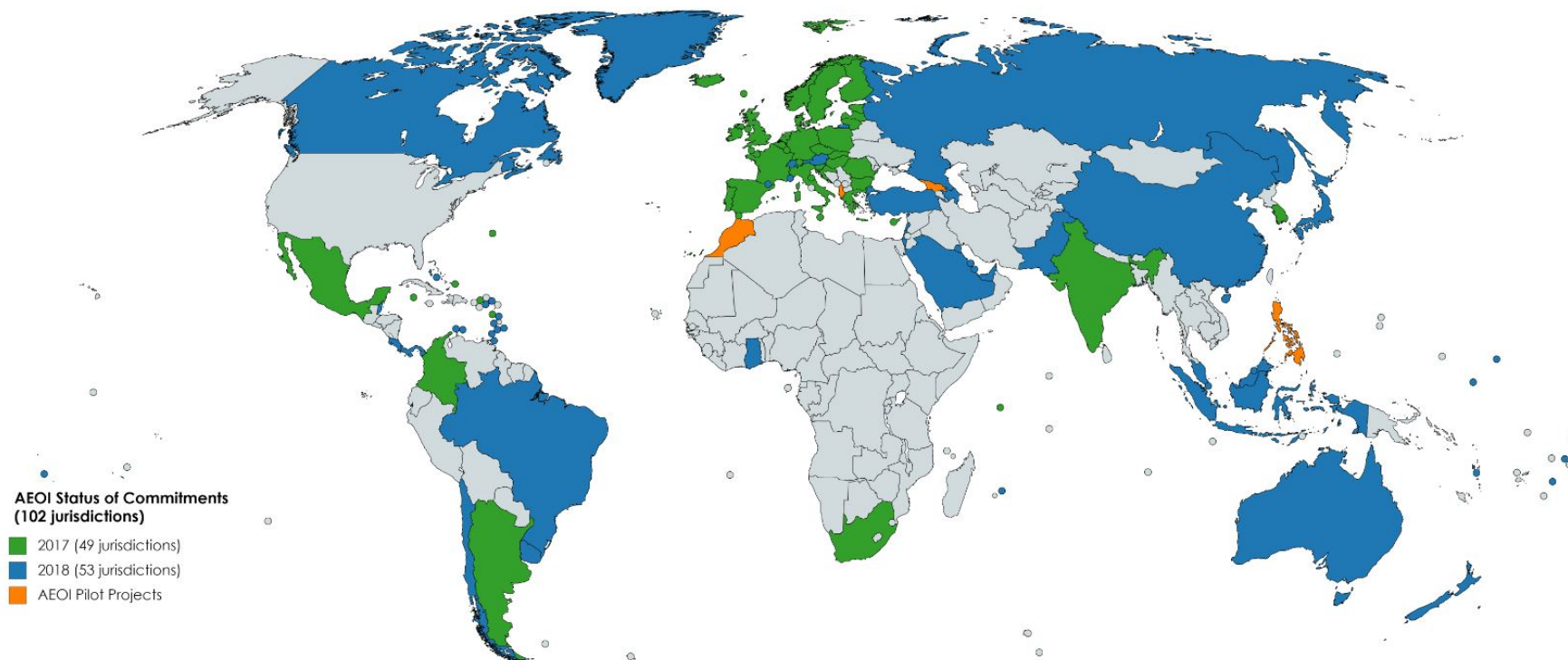
BO = beneficial owner = controlling person



MCAA = the CRS-specific multilateral agreement



# The Status of AEOI Commitments: 2017-18\*



\* The United States has indicated that it is undertaking automatic information exchanges pursuant to FATCA from 2015.

## AEOI: STATUS OF COMMITMENTS

The table below summarises the intended implementation timelines of the new standard.<sup>1</sup>

JURISDICTIONS UNDERTAKING FIRST EXCHANGES IN 2017 (49)	
Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus <sup>2</sup> , Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, United Kingdom	
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (53)	
Andorra, Antigua and Barbuda, Aruba, Australia, Austria, Azerbaijan <sup>3</sup> , The Bahamas, Bahrain, Barbados, Belize, Brazil, Brunei Darussalam, Canada, Chile, China, Cook Islands, Costa Rica, Curacao, Dominica, Ghana, <sup>3</sup> Greenland, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Kuwait, Lebanon, Macau (China), Malaysia, Marshall Islands, Mauritius, Monaco, Nauru, New Zealand, Niue, Pakistan <sup>3</sup> , Panama, <u>Qatar</u> , Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Vanuatu	
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2019/2020 (4)	
Albania (2020), Maldives (2020), Nigeria (2019), Peru (2020)	
DEVELOPING COUNTRIES HAVING NOT YET SET THE DATE FOR FIRST AUTOMATIC EXCHANGE (43)	
Armenia, Benin, Botswana, Burkina Faso, Cambodia, Cameroon, Chad, Côte d'Ivoire, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Guatemala, Guyana, Haiti, Jamaica, Kazakhstan, Kenya, Lesotho, Liberia, Madagascar, Mauritania, Moldova, Mongolia, Montenegro, Morocco, Niger, Papua New Guinea, Paraguay, Philippines, Rwanda, Senegal, Serbia, Tanzania, Thailand, Togo, Tunisia, Uganda, Ukraine	

107 jurisdictions



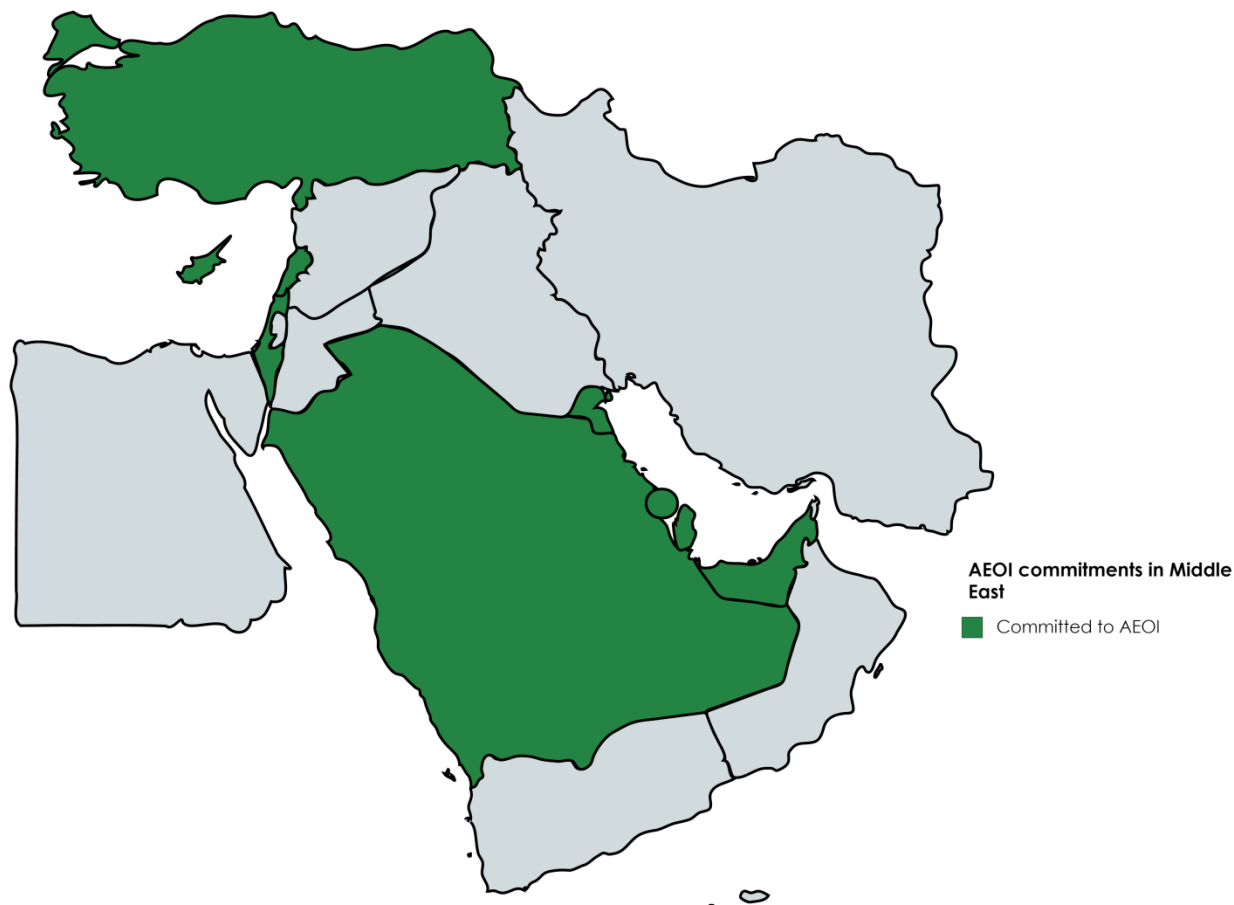
102  
jurisdictions  
committed to  
2017-18

4 jurisdictions  
committed to  
2019-20 +  
Kazakhstan





# AEOI Commitments in Middle East



Created with mapchart.net ©

Regional level playing field

# Meeting the AEOI commitment: why?



**Effective  
implementation  
of the AEOI  
standard will  
change the  
balance**

**Negative  
reputational  
effect**

**G20, EU and  
other NCJ lists**

**Defensive  
measures**

**Uncertainties**

**Positive  
reputational effect**

**Global Forum  
Member since 2009**

**Committed to AEOI  
First exchange in  
2018**

**Good GF rating for  
EOIR (LC)**



# UNDERSTANDING THE COMMON REPORTING STANDARD (CRS)



# What is CRS AEOI?



# CRS AEOI the basics

## What?

- Systematic and periodic transmission of “bulk” taxpayer information by the source country to the residence country.
- A core form of tax cooperation as provided for by DTAs/the MAC.

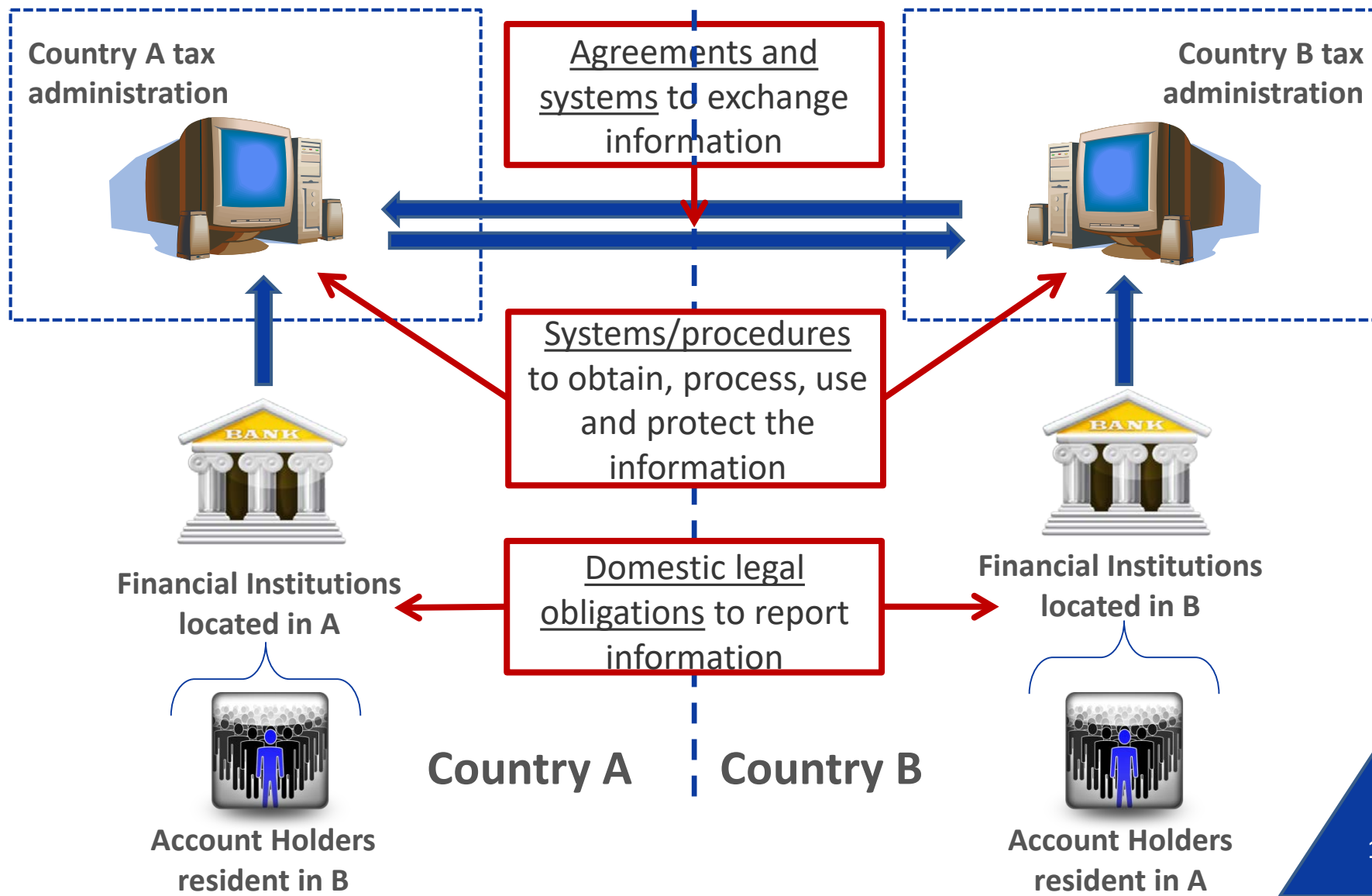
## How?

- Information on financial accounts (financial information, information on the Reporting Financial Institution, information on the account holder)
- Exchanged with tax authorities of treaty partners.

## Why?

- The taxpayer’s country of residence can check its tax records to verify offshore income/assets have been accurately reported.
- Deterrence impact and voluntary compliance.

# CRS: the basic framework



# Relationship with FATCA



1

The CRS builds very closely on FATCA, minimising costs



2

Differences however remain :

- Removal of US specificities (citizenship resulting in tax residency, references to US domestic law, etc.)
- Areas designed for a multilateral rather than bilateral approach

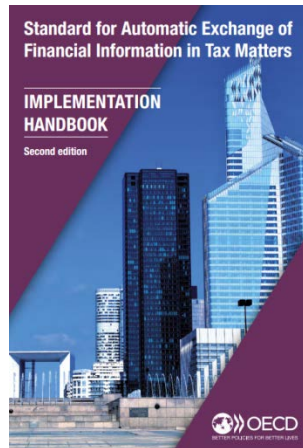


3

AND CRS is Government (Competent Authority - CA) to Government (CA) only.



# CRS material



**Purple Book (2<sup>nd</sup> Ed.)** contains notably:

- the CRS;
- Commentaries on the CRS; and
- the CRS Schema.

**Handbook (2<sup>nd</sup> Ed.)** provides **FAQs** on the application of the practical guidance on the CRS. CRS.

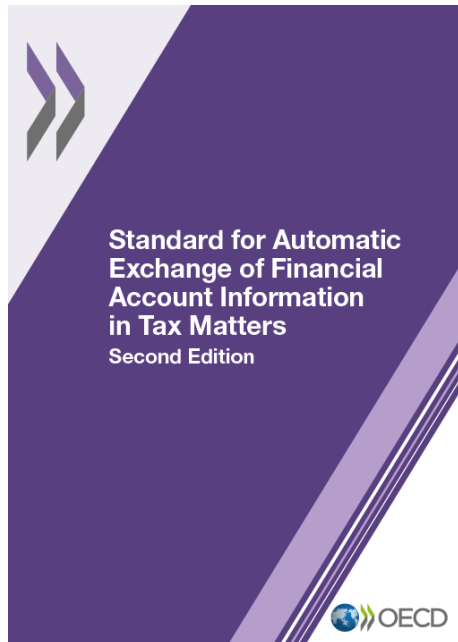
Find these books and the FAQs at:

[www.oecd.org/tax/automatic-exchange/common-reporting-standard](http://www.oecd.org/tax/automatic-exchange/common-reporting-standard)



# The Standard for automatic exchange of financial account information in tax matters

***This new Standard consists of 4 essential elements:***



A model agreement which provides for an exchange of information exclusively between CAs (indirect exchange) and which may take several forms: bilateral or multilateral, reciprocal or non-reciprocal agreement

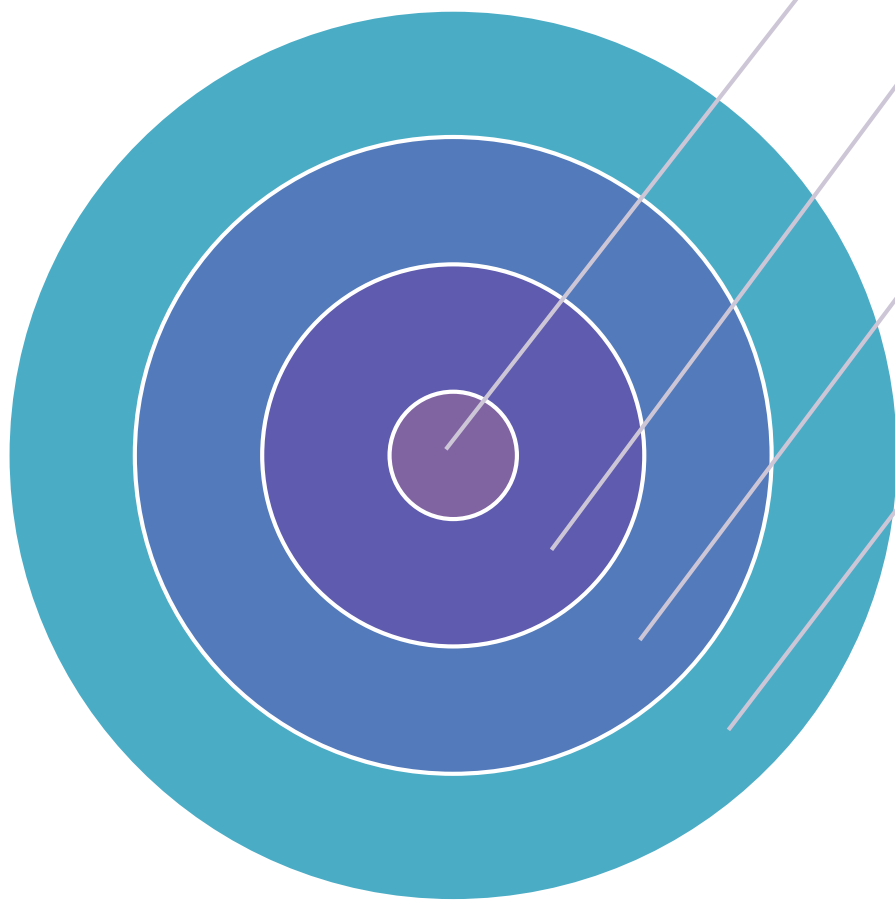
A CRS which sets out due diligence procedures for financial institutions to identify accounts to be reported, definitions and obligations on partner jurisdictions

Commentary clarifying the provisions of the Model Agreement and the CRS

A schema in XML language for the exchange of information

# The Common Reporting Standard

Subject to a few options, all the provisions of the CRS must be reflected in the domestic law



Reporting obligations for financial institutions (FIs) (Section I)

Due diligence rules to be implemented by FIs (Section II to VII)

Definitions (Section VIII)

Obligations to be fulfilled by the participating jurisdictions (Section XI)

# Commentary, FAQ, Handbook

They provide additional details on the application of the CRS, including examples;

They correct imperfections in the CRS;

They must be followed by financial institutions and jurisdictions (they must find a binding basis in national law).

## Commentary to the CRS

They provide additional explanations, including for special cases;

Some answers are only an application of the CRS;

Others are intended to be implemented in a binding manner in national law (e.g. FAQ n°22).

## FAQs

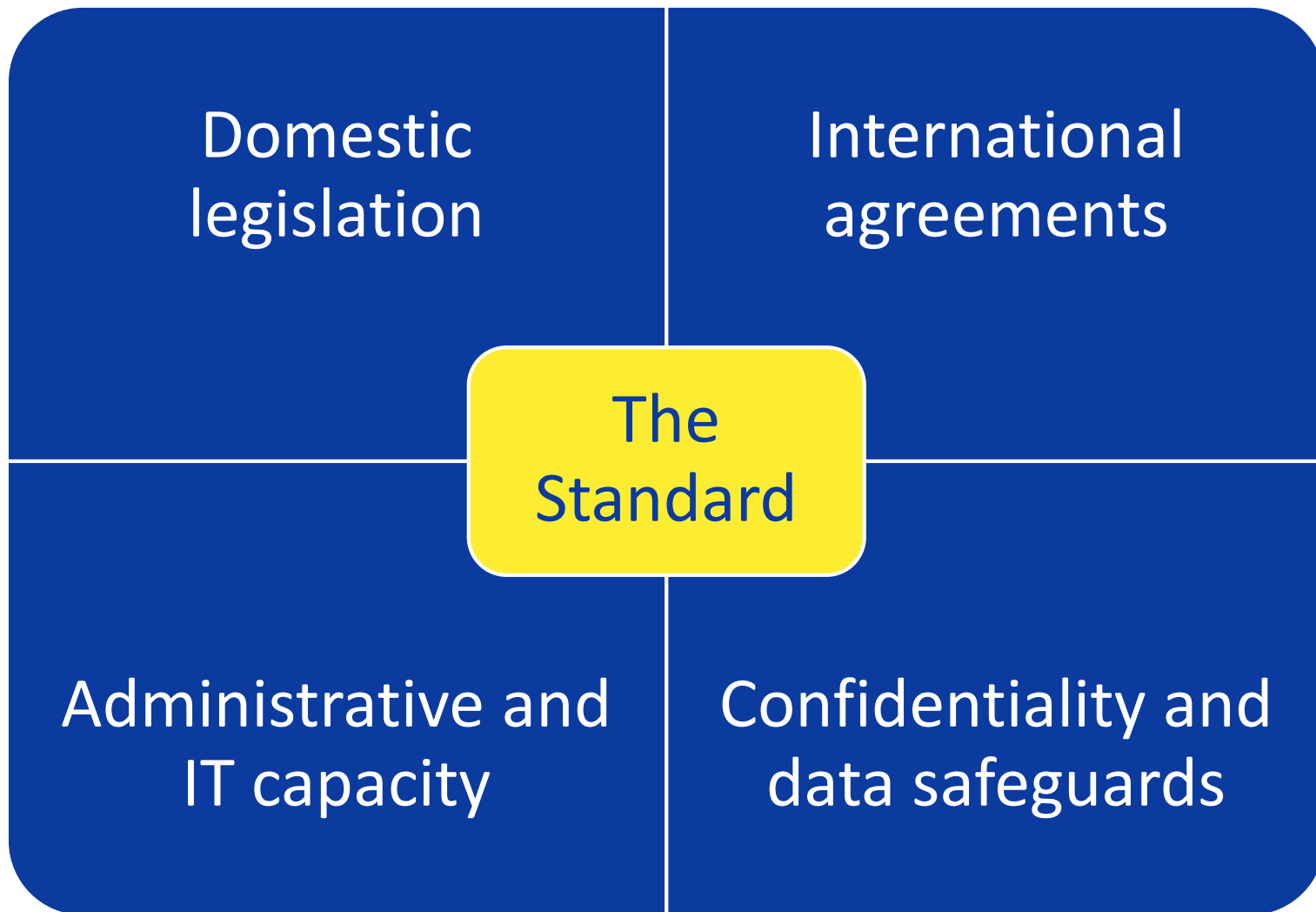
This is a practical guide to ease the understanding of the CRS;

Some elements have been added to correct imperfections in the CRS and the Commentary;

It is recommended to comply with them (e.g., the transitional period).

## CRS Handbook

# Building blocks



# AEOI and Qatar

Domestic legislation	International framework	Confidentiality and data safeguards	Administrative and IT capacity
<p>Qatar is committed to commence its first AEOI in September 2018</p> <p>Resolution of the Minister of Finance No. 1 of the Year 2018 Implementing the Common Reporting Standard issued on 9 May 2018</p>	<p>MAC and MCAA signed on 10 November 2017</p> <p>Approved by Council of Minister on 11 April 2018 and transmitted to His Highness the Emir for ratification.</p> <p><u>Next steps:</u> (1) Instrument of ratification to be deposited (with unilateral declaration) and (2) the MCAA notification to be provided for its activation.</p>	<p>Qatar is a non-reciprocal jurisdictions</p> <p>Has only answered the questionnaire including peer inputs – but no preliminary assessment carried out</p>	<p>Off the shelf solution (Vizor)</p>

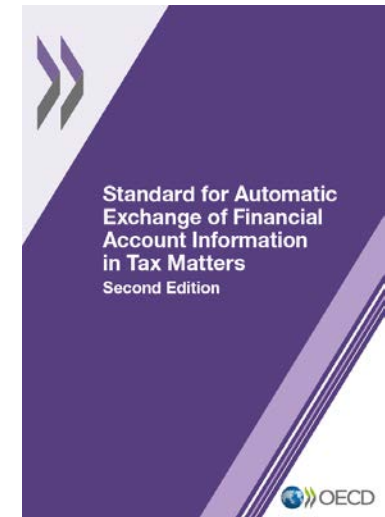
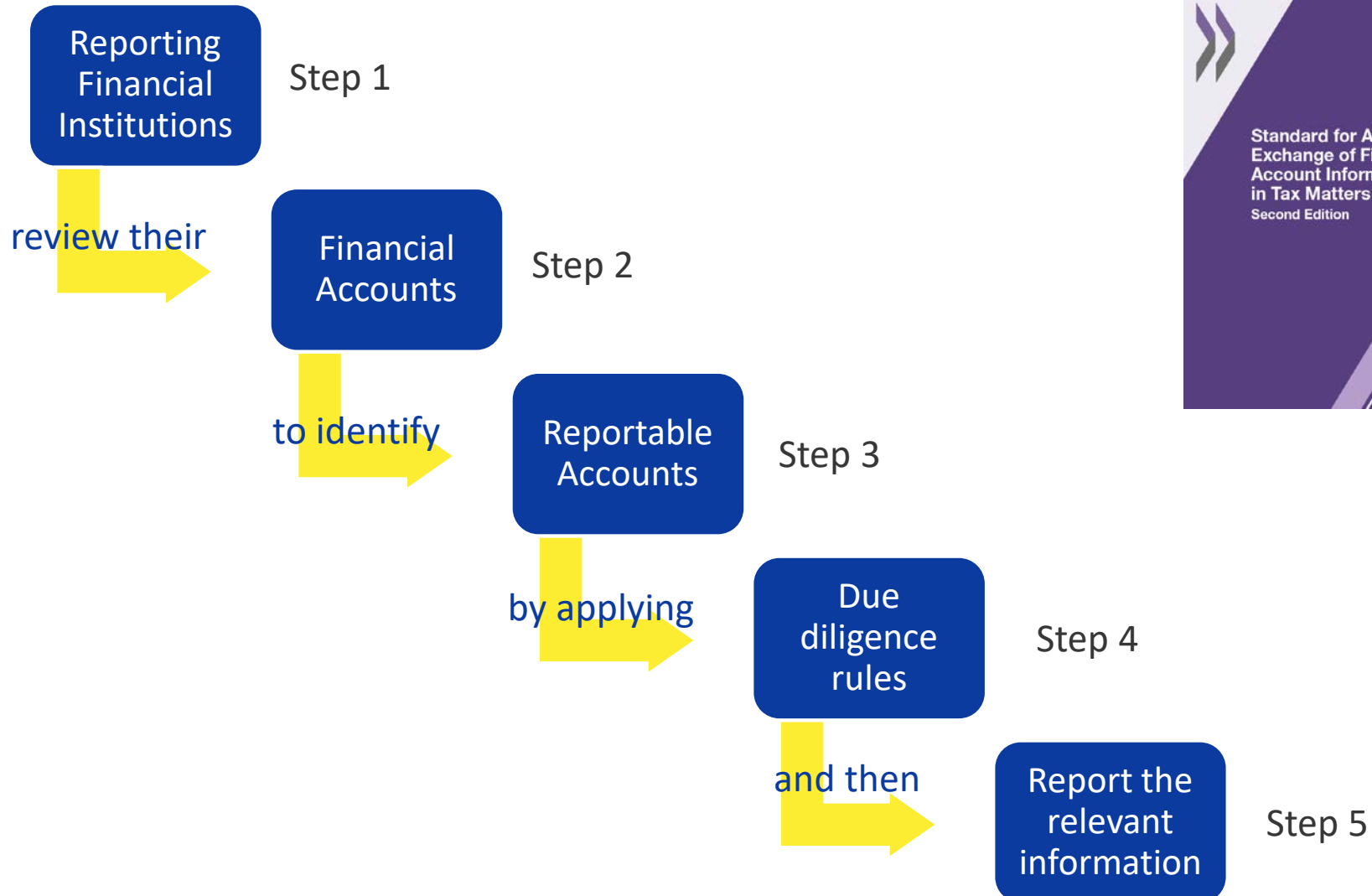
# SESSION 2

## THE CRS IN GREATER DETAIL





# An overview of the CRS : 5 steps



# Rationale

## Reporting Financial Institutions

- Wide in scope
- Closest to the taxpayer

## Financial Accounts

- Wide in scope

## Reportable Accounts

- Targeted to risk

## Due diligence rules

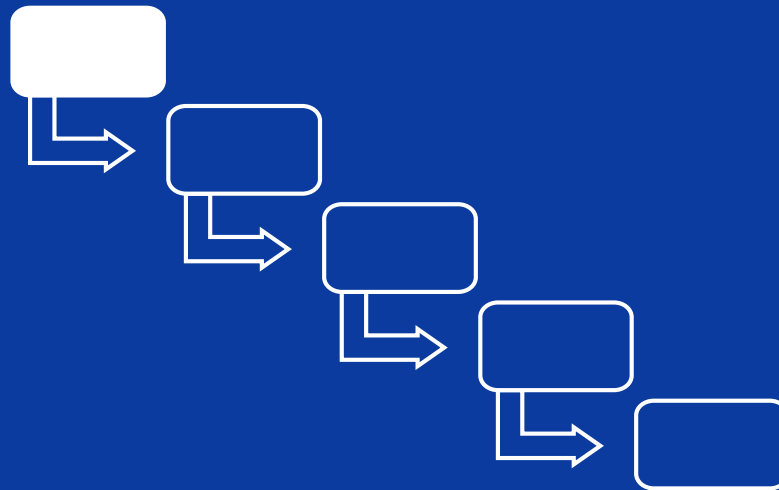
- Standardised, building on existing procedures
- Recognises difference between preexisting and new accounts and individuals and entities

## Report the relevant information

- Information to identify the Account Holder and assess tax risk

*Who must the domestic reporting obligations be imposed upon?*

# REPORTING FINANCIAL INSTITUTIONS (STEP 1)



# Conditions

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An Entity ...



in a Participating Jurisdiction ...



that is a Financial Institution ...



and is not a Non-Reporting Financial Institution ...

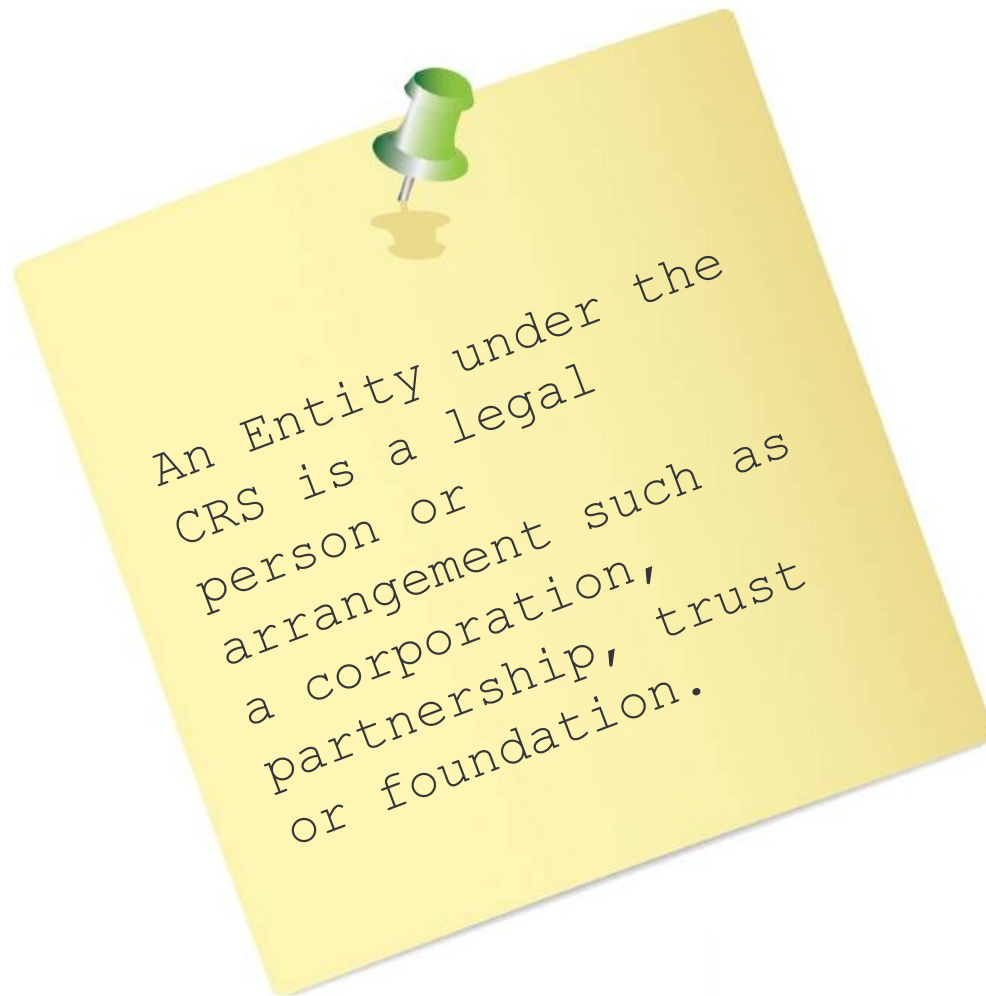


is a Reporting Financial Institution.

# An Entity ...

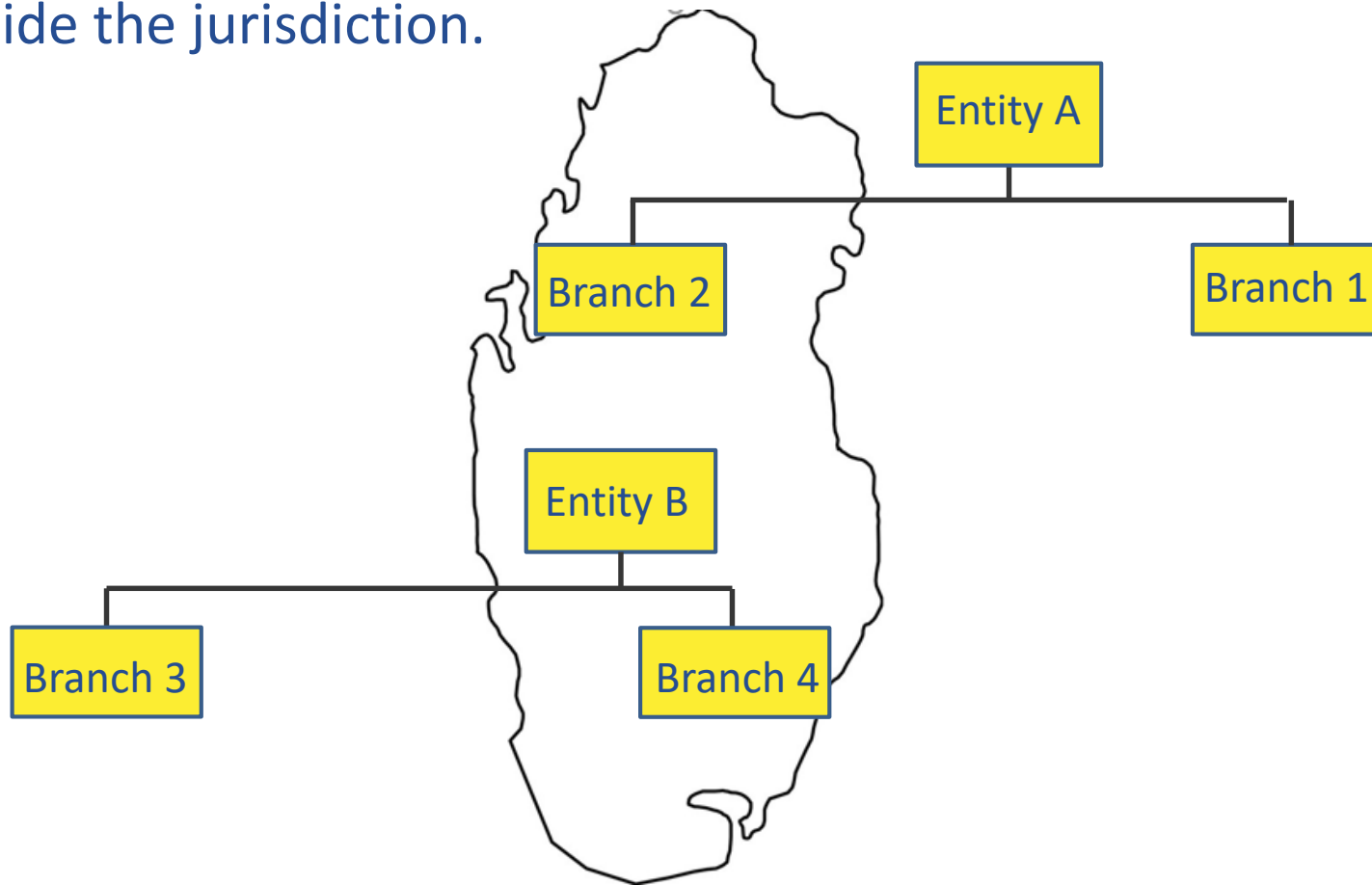
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A broad  
definition  
of Entity ...



# in a Participating Jurisdiction ...

**General rule:** (i) Entities resident in a Participating Jurisdiction, excluding their branches located outside the jurisdiction and (ii) branches located in the Participating Jurisdiction of Entities resident outside the jurisdiction.



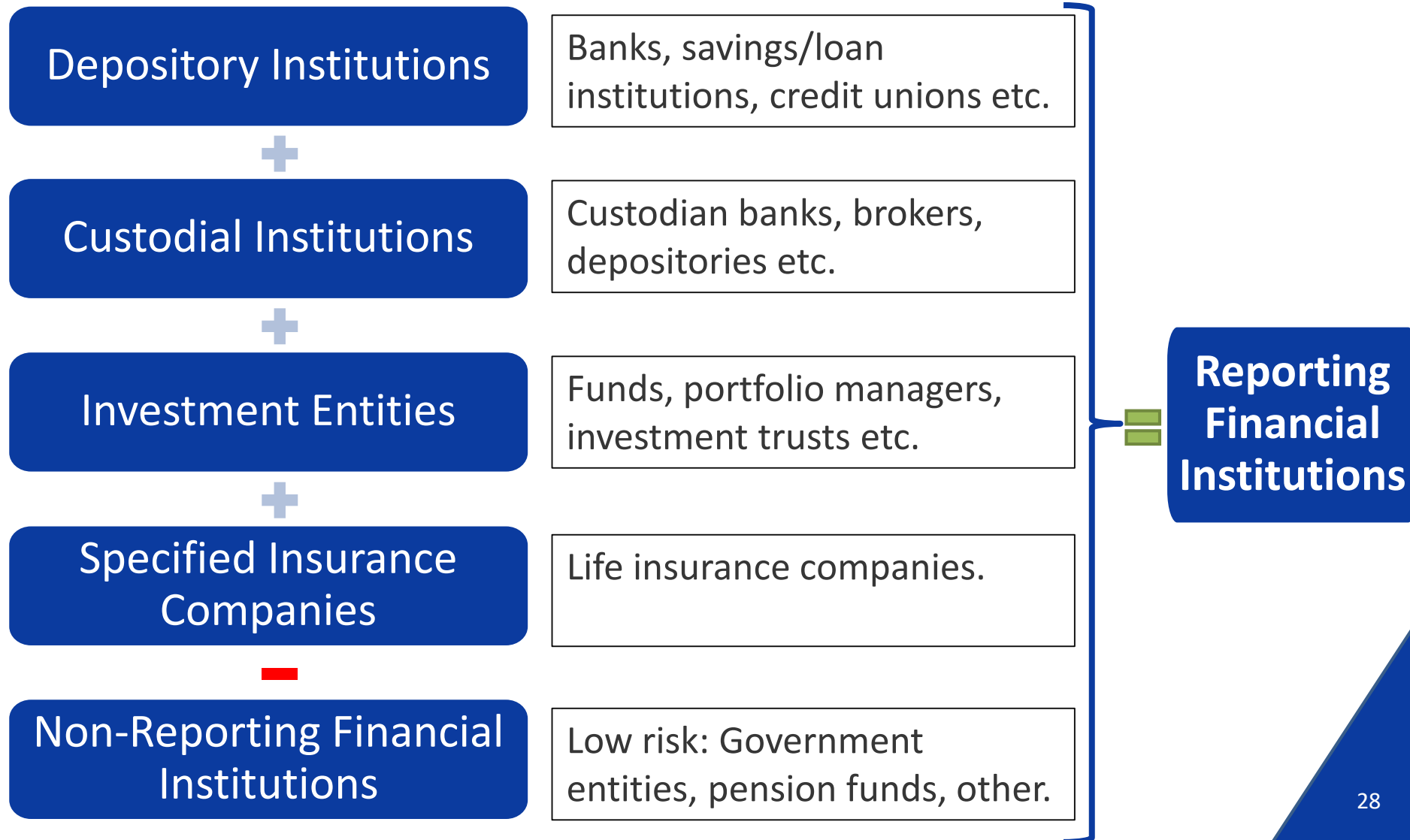


# in a Participating Jurisdiction cont. ...

Unpacking residence for the CRS:

Entity	Residence under the Standard
Tax resident Entities	Residence for tax purposes
Non-tax resident Entities, except trusts	Place of incorporation, management or financial supervision
Multiple resident Entities, except trusts	Where accounts are maintained
Trusts	Where one or more trustees are resident (unless information reported elsewhere due to tax residence)

# a Financial Institution, not Non-Reporting



# Financial Institutions, further defined

## Depository Institutions

- Accepts deposits in the course of a banking or similar business.

## Custodial Institutions

- $\geq 20\%$  of gross income from holding Financial Assets for others.

## Investment Entities

- (i) Gross income primarily ( $\geq 50\%$ ) from business investment activities (trading/investing in Financial Assets, portfolio management etc.) on behalf of customers; **or**
- (ii) Gross income primarily ( $\geq 50\%$ ) from investment in Financial Assets and managed by a Financial Institution.

## Specified Insurance Companies

- Insurance company making payments on a Cash Value Insurance/Annuity Contracts.

# Financial Institutions, further defined

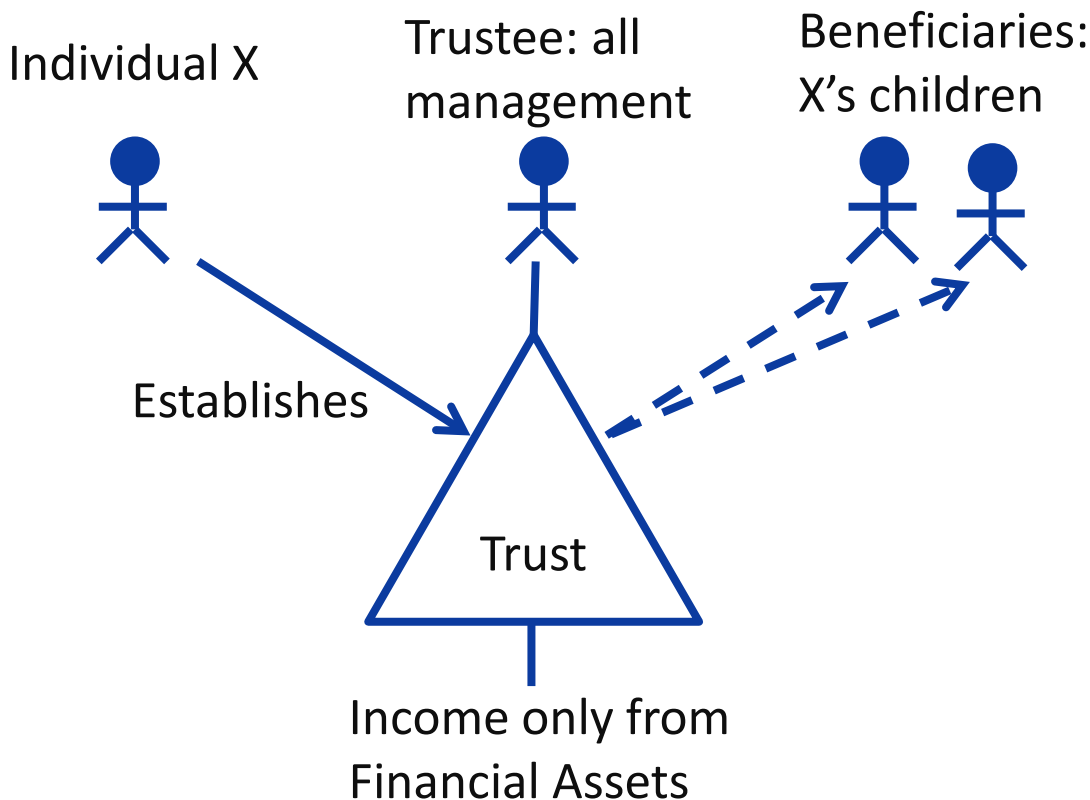
## Non-Reporting Financial Institutions

- Specified low risk institutions, published in jurisdiction-specific lists:
- Government Entity, International Organisation, Central Bank (other than payments on obligations held in commercial activity)
- Broad participation retirement fund
- Narrow participation retirement fund
- Pension fund of a government entity, international organisation or central bank
- Qualified credit card issuer
- Any other Entity with low risk of tax evasion, similar characteristics to the above categories, defined in domestic law, does not frustrate purposes of the Standard
- Exempt collective investment vehicle
- Trustee documented trust

# Financial Institutions: case study

## Reminder: Investment Entities

- (i)  $\geq 50\%$  of business investment activities on behalf of customers; **or**
- (ii)  $\geq 50\%$  income from investment and managed by a Financial Institution.



## Question

Q: Is the trust a Financial Institution?

A: No, because:

- (i) Not carrying out a business for customers (based on FATF); and
- (ii) the trustee (managing the assets etc.) is not an Entity so is not a Financial Institution (if the manager was a Financial Institution, the trust would be too).

# Comparing the CRS to FATCA

## Step 1: Reporting Financial Institutions

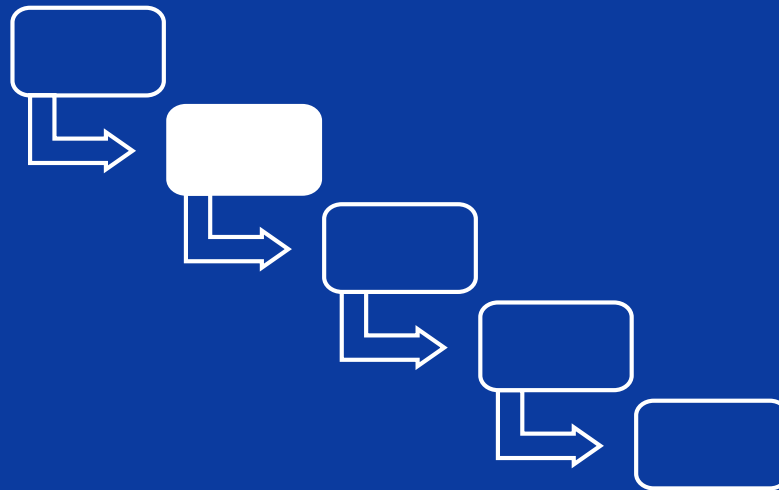
Issue	Common Reporting Standard compared to the Model 1 FATCA IGA	Consistent approach possible?
<b>Reporting nexus</b>	CRS uses residence of the Entity while IGA uses residence <u>or</u> where organised	Often is, as IGA depends on local law
<b>Investment Entity</b>	Definition differs between CRS and IGA	Designed for equivalent outcome
<b>Non-reporting FIs</b>	IGA includes Exempt Beneficial Owners and Deemed Compliant FFIs and other categories not in the CRS	IGA only, although in some cases could be in country list



*Who must the domestic reporting obligations require reporting financial institutions to do?*

# REVIEW THEIR FINANCIAL ACCOUNTS

(STEP 2)



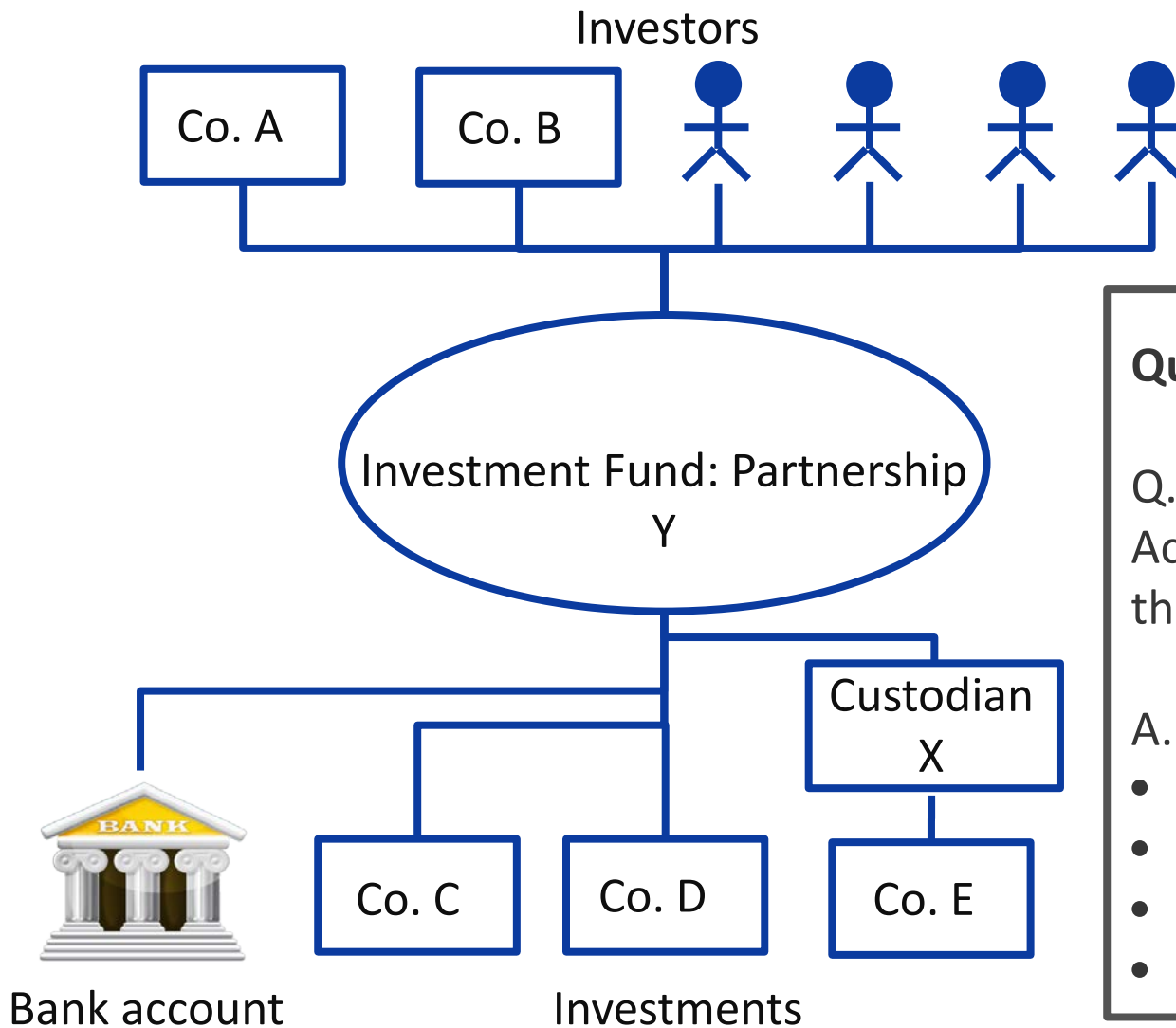
# Financial Account

**General rule:** an account maintained by a Financial Institution

**Specifically including:**

Account	The Financial Institution generally considered to maintain it
Depository Accounts	The Financial Institution obliged to make payments with respect to the account
Custodial Accounts	The Financial Institution that holds custody over the assets in the account
Equity and debt interests	The interests in an Investment Entity (or other Financial Institution – anti-avoidance) are “maintained” by that Investment Entity (or other Financial Institution)
Cash Value Insurance/ Annuity Contracts	The Financial Institution obliged to make payments with respect to the contract

# Fund example



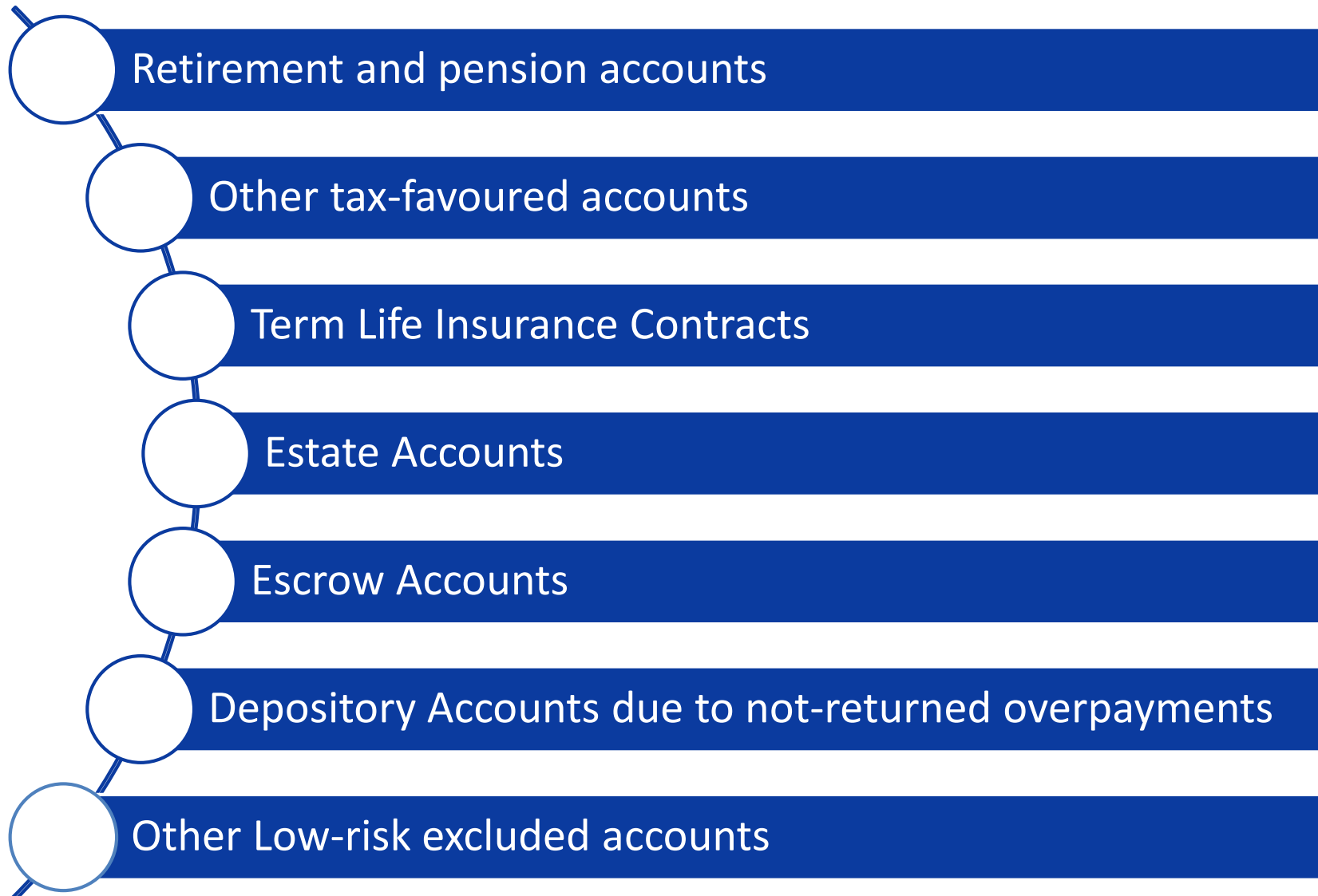
## Question

Q. Where are the Financial Accounts and what type are they?

A.

- Depository – bank
- Custodial – X
- Equity/debt interests – Y
- Possibly C, D and E

# Excluded Accounts (low risk)



# Comparing the CRS to FATCA

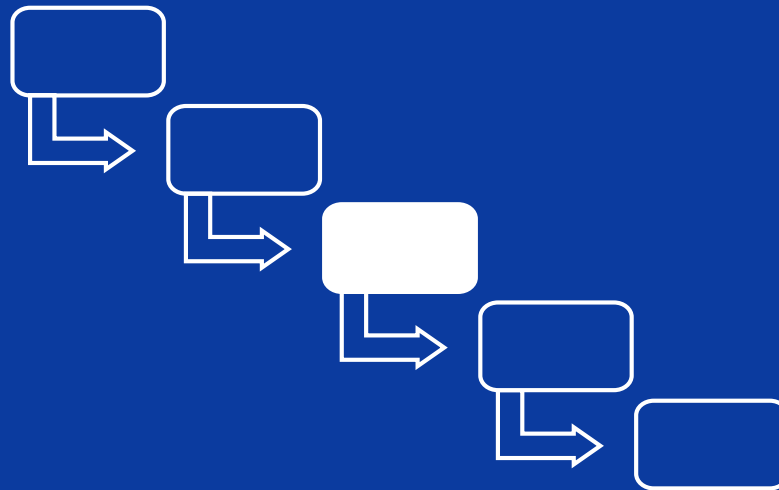
## Step 2: Financial Accounts

Issue	Common Reporting Standard compared to the Model 1 FATCA IGA	Consistent approach possible?
<b>Financial Asset</b>	Specifically defined in the CRS, unlike the IGA	<b>CRS consistent with FATCA Regulations</b>
<b>Debt/Equity interest</b>	CRS does not include such interest where Entity regularly traded	<b>Consistent outcomes</b>
<b>Cash Value Insurance</b>	The IGA excludes contracts worth \$50,000 and below.	<b>No \$50,000 threshold in the CRS</b>
<b>Low Risk Accounts</b>	CRS includes a general unilateral category for jurisdictions (subject to Global Forum review)	<b>For a multilateral setting, albeit overlap</b>

*What must the domestic reporting obligations require reporting financial institutions to identify?*

# REPORTABLE ACCOUNTS

(STEP 3)



# Reportable Accounts

## An account held by ...

One or more  
Reportable Persons

A Passive Non-  
Financial Entity  
with one or more  
Controlling Persons  
that is a Reportable  
Person

# Reportable Jurisdiction Person

## Reportable Jurisdiction Person

- An Individual or Entity resident for tax purposes in a Reportable Jurisdiction (or effective management if no tax residence).
- Detailed due diligence rules for Financial Institutions to follow.

## Reportable Jurisdiction

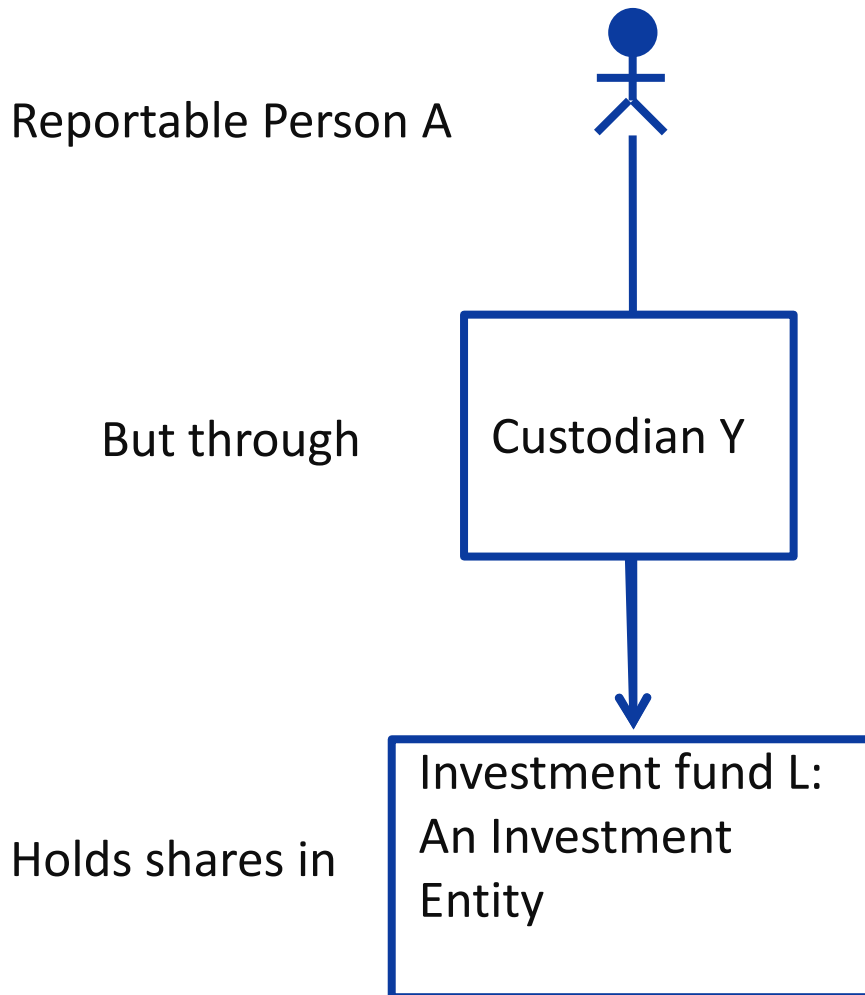
- As defined in domestic law where Financial Institution reports, in a published list.
- Will include all jurisdictions with which the Financial Institution's jurisdiction has an agreement to automatically exchange information under the Standard.

## Exclusions

- Exclusions include: corporations whose stock is regularly traded on an established securities market (and their related entities); government entities; and Financial Institutions.



# Reportable Person: Case study



## Questions

Q1: Which entity is a Financial Institution?

A1: Both Y and L

Q2: Who reports on whom?

A2: Y reports on A - while Y is the account holder from L's perspective, Financial Institutions are not Reportable Persons

# Reportable accounts: case study

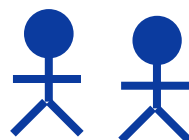
Back to the trust example.

Individual trustee

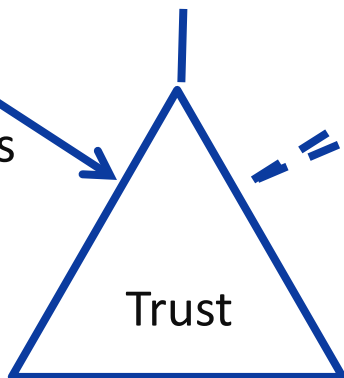
A: all management

Beneficiaries:  
X's children

Individual  
X



Establishes



Trust

Income  
only from  
Financial  
Assets held  
at a Bank



## Question

Q: What are the Financial Accounts and who reports them?

A:

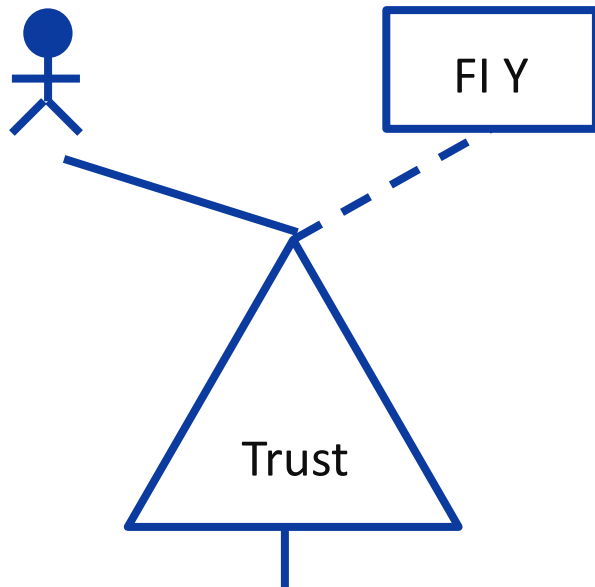
- As the trust is not itself a Financial institution, the Financial Account is the account held by the bank for the trust.
- The bank reports the information.

# Reportable accounts: case study #2

Back to the trust example but with an Entity managing the assets.

Individual trustee

But all asset management by Financial Institution Y



Income only from Financial Assets held at a Bank



## Question

Q: What are the Financial Accounts and who reports them?

A:

- The trust is a Financial institution so the Financial Accounts are the interests in the trust and the account held by the bank for the trust.
- Only the trust reports information (Financial Institutions/the trust is not reportable so the bank does not report).

# Reportable Accounts

## An account held by ...

One or more  
Reportable Persons

A Passive Non-  
Financial Entity  
with one or more  
Controlling Persons  
that is a Reportable  
Person

# Passive Non-Financial Entities

## Entity Account Holders

Financial  
Institutions

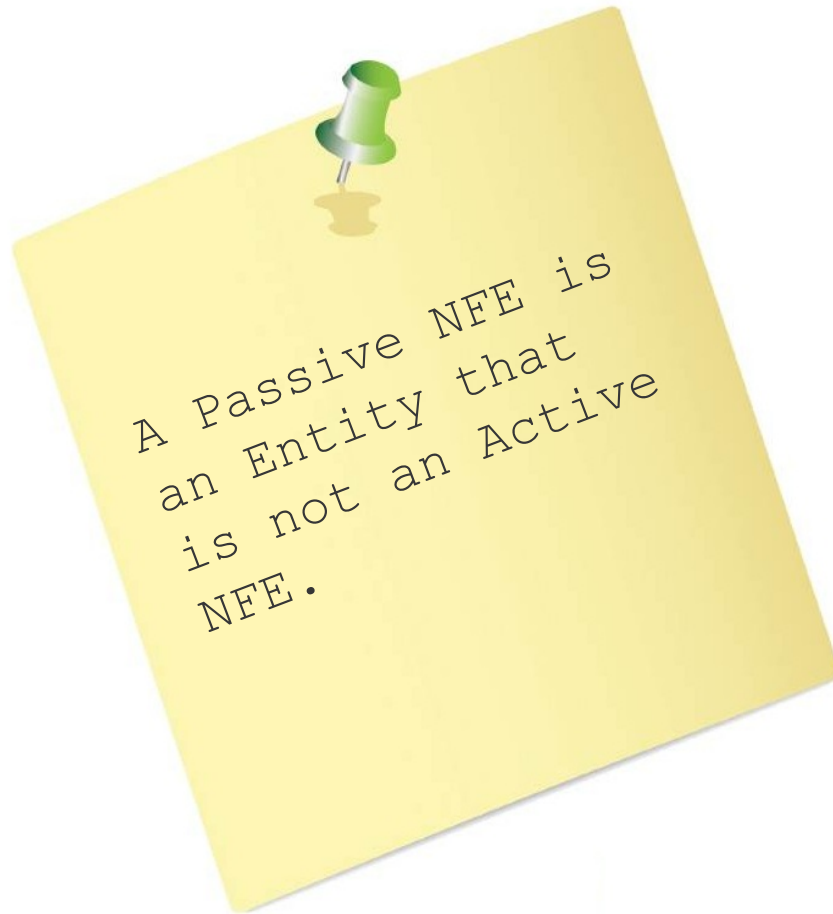
Non-Financial Entities  
(NFEs)

Not reportable (do their  
own reporting)  
Except Type B Investment  
Entities in Non-Participating  
Jurisdictions – treated as  
Passive NFEs

Active NFEs  
Tax evasion  
less likely

Passive NFEs

## Passive NFEs = higher risk of tax evasion = must look through



### Passive NFE:

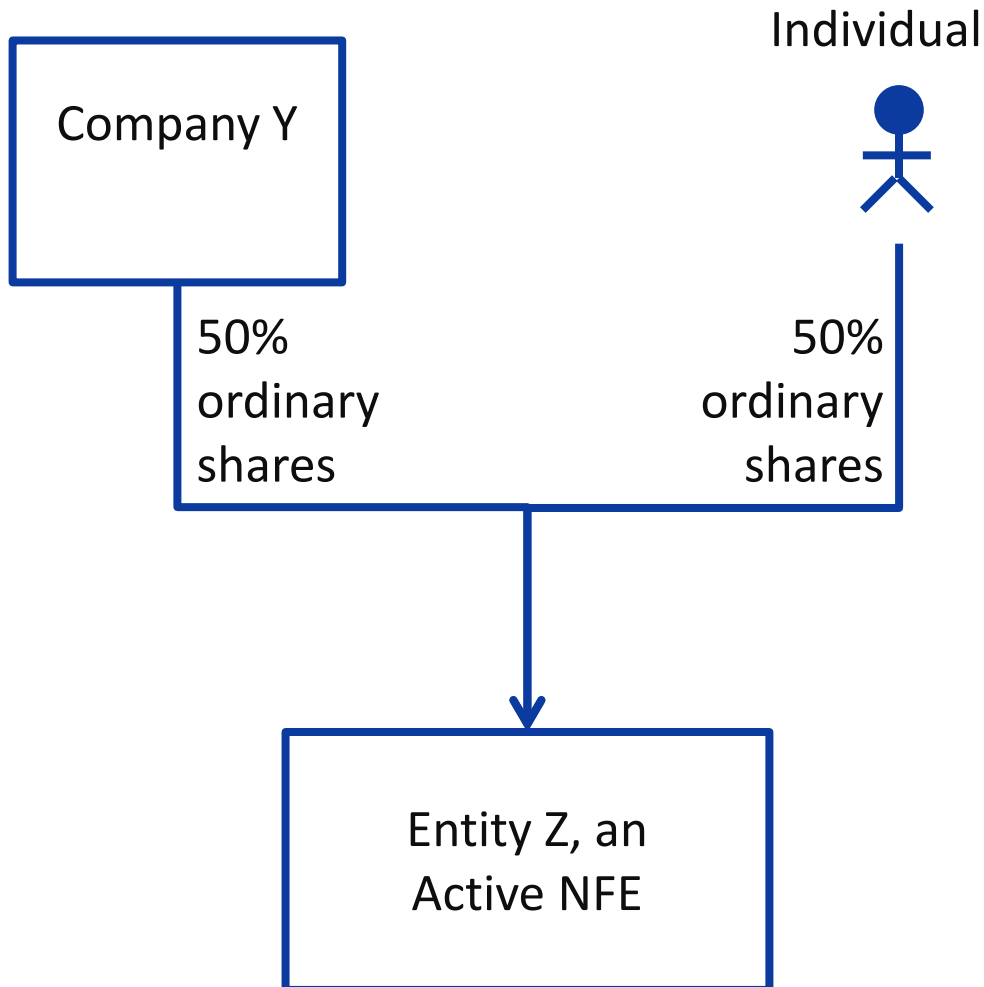
- Includes: Entities with  $\geq 50\%$  of income which is passive income or  $\geq 50\%$  of assets produce passive income (dividends, interest, rents etc.)
- Includes: Type B Investment Entities located in non-Participating Jurisdictions.
- Excludes: Publically traded Entities (and Entities related to them), Government Entities, etc.

# Controlling Person = Beneficial Owner

- Legal persons: must “look through” the Entity to identify the natural person(s) who exercises control over the Entity
- Generally, through cascade approach: (i) controlling ownership interest in the entity (e.g.  $\geq 25\%$  ownership), or (ii) person(s) exercising control through other means or (iii) senior managing official
- CRS rules for Trusts: settlor(s), trustee(s) protector(s), beneficiary(ies) or class(es) of beneficiaries (and equivalent or similar positions in the case of other legal arrangements) must always be treated as Controlling Persons



# Controlling persons: case study



## Questions

Q1: Who does the CRS tell you to identify as the Controlling Persons of Entity Z?

A1: No one (Active NFE)

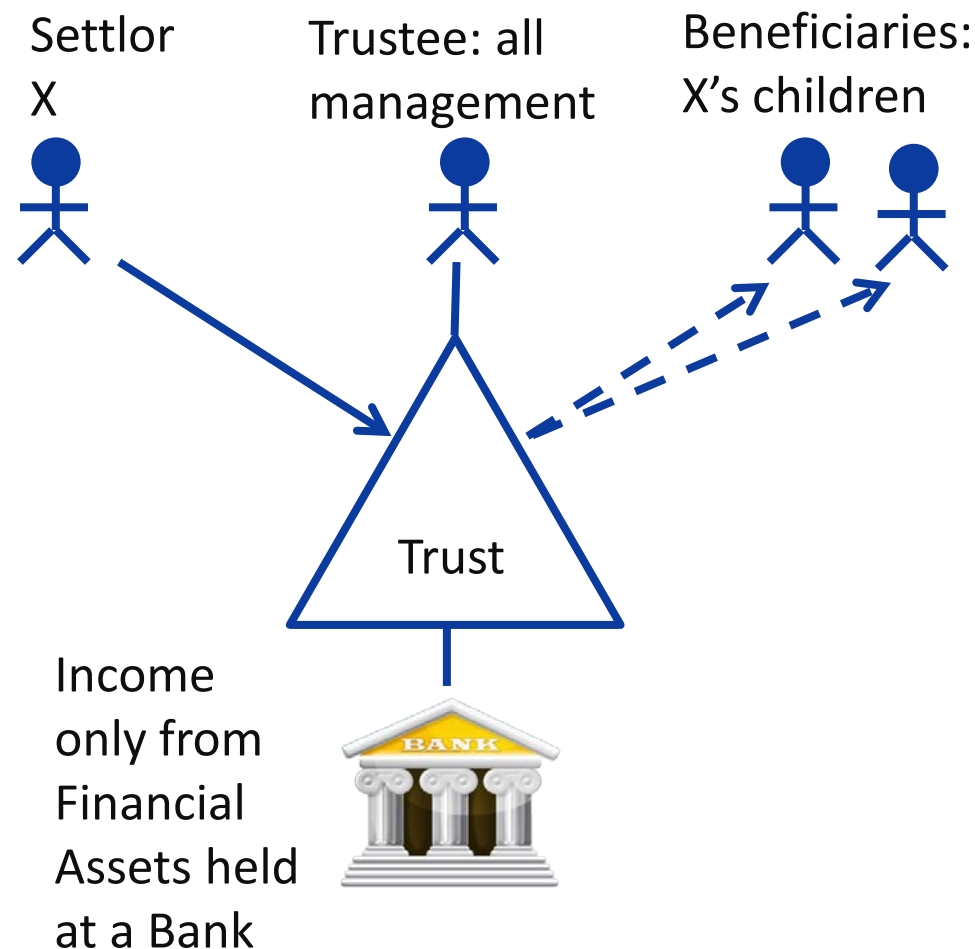
Q2: And if Entity Z was a Passive NFE?

A2: The individual and the natural persons that indirectly control Entity Z through Company Y.



# Reportable persons: case study

Back to the trust example.



## Questions

Q: Who runs which tests to establish Reportable Accounts?

A:

- As the trust is not a Financial institution, the bank runs the tests. It must establish whether the trust is a Reportable Person and whether its Controlling Person(s) is reportable.

Q: Who is the “Controlling Person(s)”?

A: All the individuals in the case study.

# Comparing the CRS to FATCA

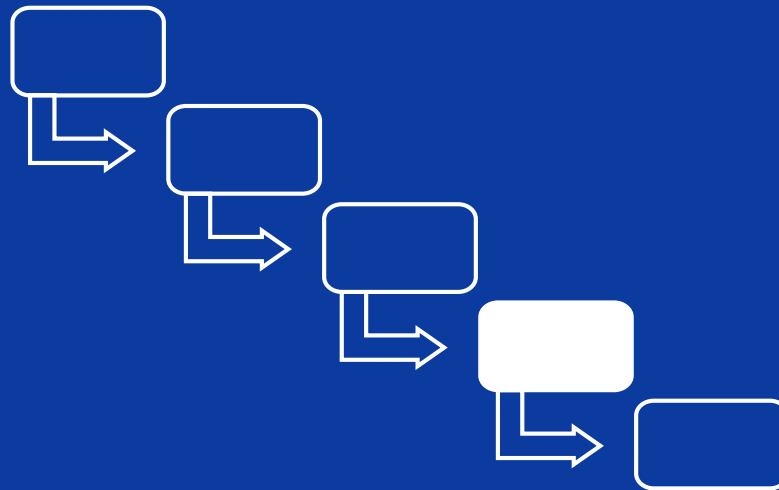
## Step 3: Reportable Accounts

Issue	Common Reporting Standard compared to the Model 1 FATCA IGA	Consistent approach possible?
<b>Reportable Persons</b>	The IGA includes US citizenship in the definition of tax residency (as an indicia)	<b>Reflect US tax law</b>
<b>Passive NFEs</b>	Unlike the IGA, Passive NFEs are reportable under CRS where same residency as Controlling Persons	<b>Only in the CRS</b>
<b>Definition of Passive NFE</b>	Unlike the IGA, the CRS defines Investment Entities in non Participating Jurisdictions as Passive NFEs	<b>Only in the CRS</b>

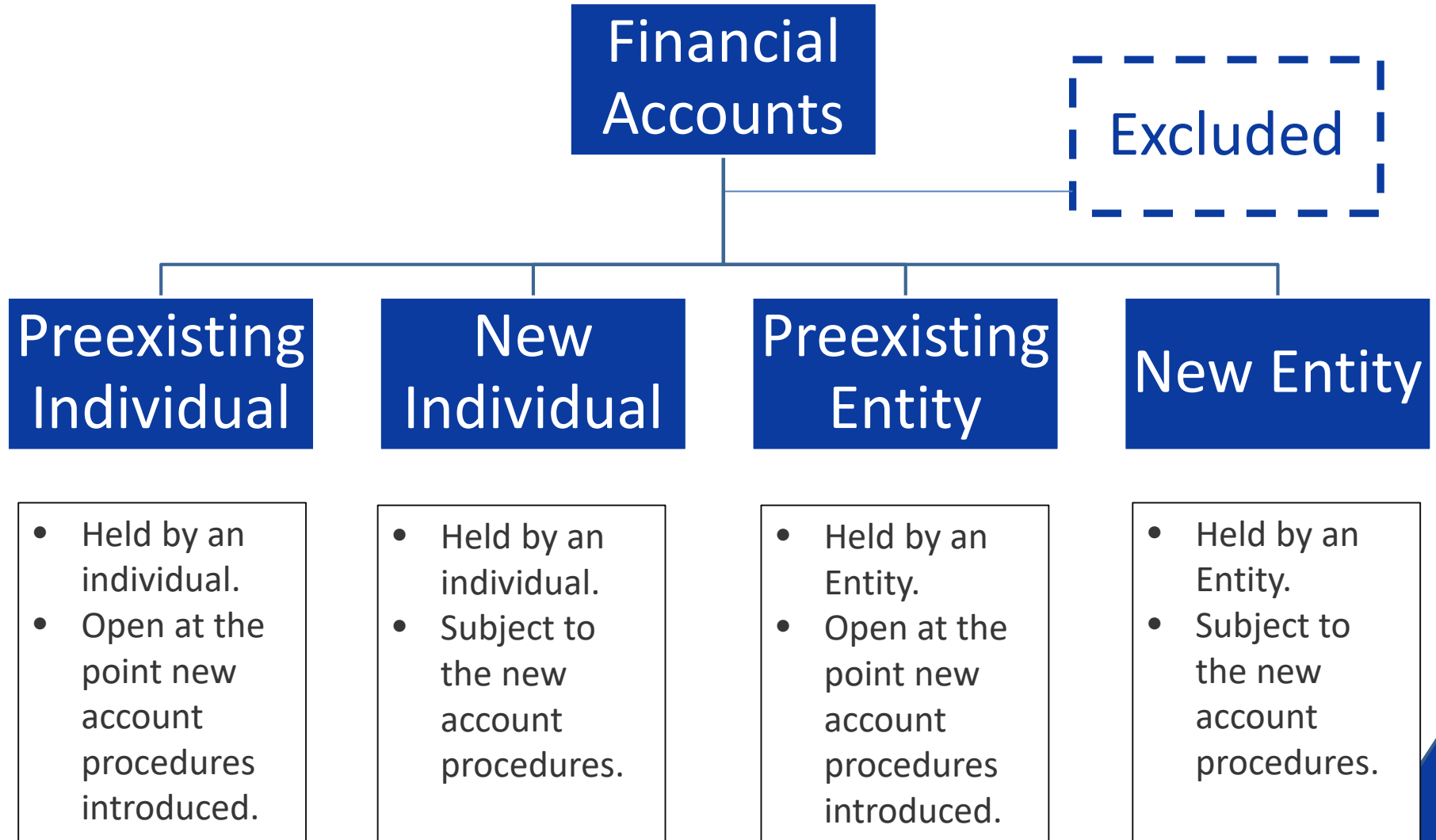
*Ensuring quality and consistency in the information reported through the domestic reporting requirements*

# THE DUE DILIGENCE RULES

(STEP 4)



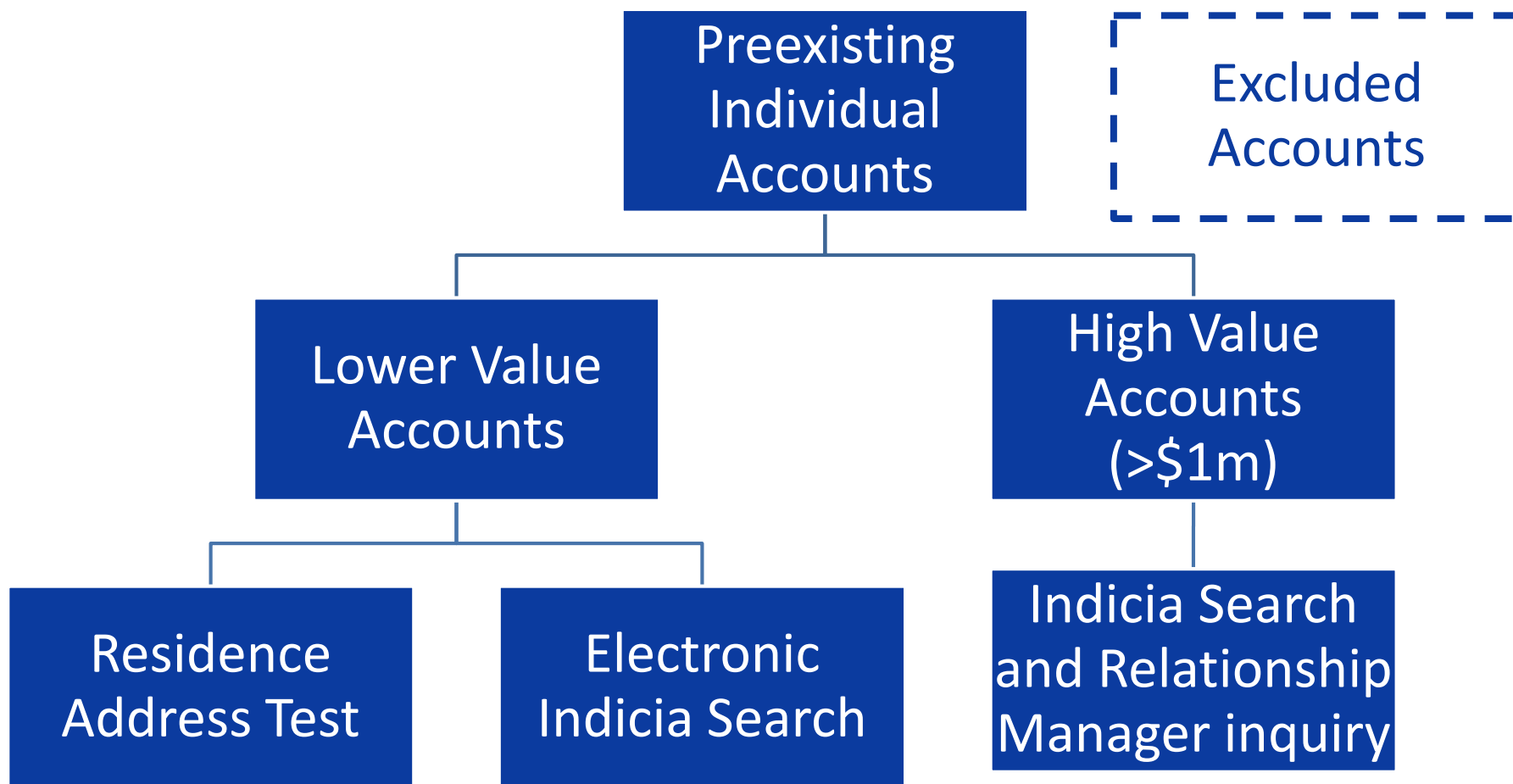
# Categories of Accounts



# THE DUE DILIGENCE PROCEDURES FOR EACH CATEGORY



# Preexisting Individual Accounts



# Preexisting Individual Low Value Accounts

## Lower Value Accounts: Residence Address Test

- Optional alternative test based on **residence address on file**.
- Address must be:
  - **“current”**; and
  - based on **Documentary Evidence**
- Otherwise indicia search must be performed.
- **Relaxations** for dormant accounts, non-Government issued but corroborative documentary evidence and pre-AML accounts.

## Documentary Evidence

- **Includes:** Government issued certificate of residence; Government issued identification; any audited financial statement or third party credit report.

# Preexisting Individual Low Value Accounts

## Lower Value Accounts: Indicia (of tax residency)

- **Indicia** (electronic search):
  - identification of the Account Holder as a resident of a Reportable Jurisdiction;
  - current mailing address in a Reportable Jurisdiction;
  - one or more telephone numbers in a Reportable Jurisdiction and no telephone number in the jurisdiction of the Reporting Financial Institution;
  - standing instructions (other than with respect to a Depository Account) to transfer funds to an account maintained in a Reportable Jurisdiction;
  - currently effective power of attorney or signatory authority granted to a person with a address in a Reportable Jurisdiction; or
  - a “hold mail” instruction or “in-care-of” address in a Reportable Jurisdiction if the Financial Institution has no other address on file.
- Indicia can be “**cured**” – see later slide.



# Preexisting Individual High Value Accounts

## Aggregation

- To apply the threshold all Account Holder's Financial Accounts must be aggregated, to the extent the computerised system allows and the relationship manager has actual knowledge.

## Indicia (of tax residency)

- **Indicia:** as for Low Value.
- In addition to a search of electronic records a **paper search** for any indicia not captured electronically.
- Indicia can be “**cured**” – see subsequent slide.

## Relationship manager inquiry

- **Actual knowledge** of the relationship manager the Account Holder is a Reportable Person.

# Preexisting Individual Accounts cont.

## Indicia search: Curing procedure

- Indicia can be “cured” - obtain a self-certification establishing tax residence and/or Documentary Evidence, depending on indicia.

## Undocumented Accounts

- Where only indicia is “hold mail” or “in-care-of” address and no other address, unless Documentary Evidence or self-cert. obtained, report as undocumented.

## Cash Value Insurance/Annuity Contracts

- Where preexisting Cash Value Insurance Contracts or Annuity Contracts are effectively prevented by law from being sold to residents of all Reportable Jurisdictions then they are **exempt** from the due diligence requirements.

## Reason to know

- Documentary Evidence cannot be relied upon if the Financial Institution has reason to know it is unreliable (including as a result of a change in circumstances).

# Preexisting Individual Account: Case study


☐

**Current address:**  
**United Kingdom**

☒  
☒  
☒  
☒  
☒  
☒  
☒  
☒

**Standing instructions**

**\$5,000 pm to Germany**



Qatari  
custodial  
account

## What do you do?

1. Excluded account?
2. As low value may be able to use residence address test – report to the UK
3. If no documentary evidence must perform indicia search
4. Indicia found: current mailing address and standing instructions
5. Report to both the UK and Germany or obtain a self-certification with Documentary Evidence

# New Individual Accounts

## Self-certifications

- A valid self-certification must be obtained, establishing tax residency. The process is flexible but the content is not.
- Must be signed/positively affirmed, dated, and include Account Holder's:
  - Name
  - Residence address
  - Jurisdiction(s) or residence for tax purposes
  - TIN(s)
  - Date of birth

## Reasonableness

- The self-certification must be compared to the other information obtained in connection with the account opening (including for AML/KYC). Not reasonable if reason to know it is unreliable.
- If unreliable, need either a new self-certification or a reasonable explanation and documentation.

# Preexisting Entity Account

Potentially reportable on two grounds.

First  
process:

Preexisting Entity  
Accounts

Excluded Accounts

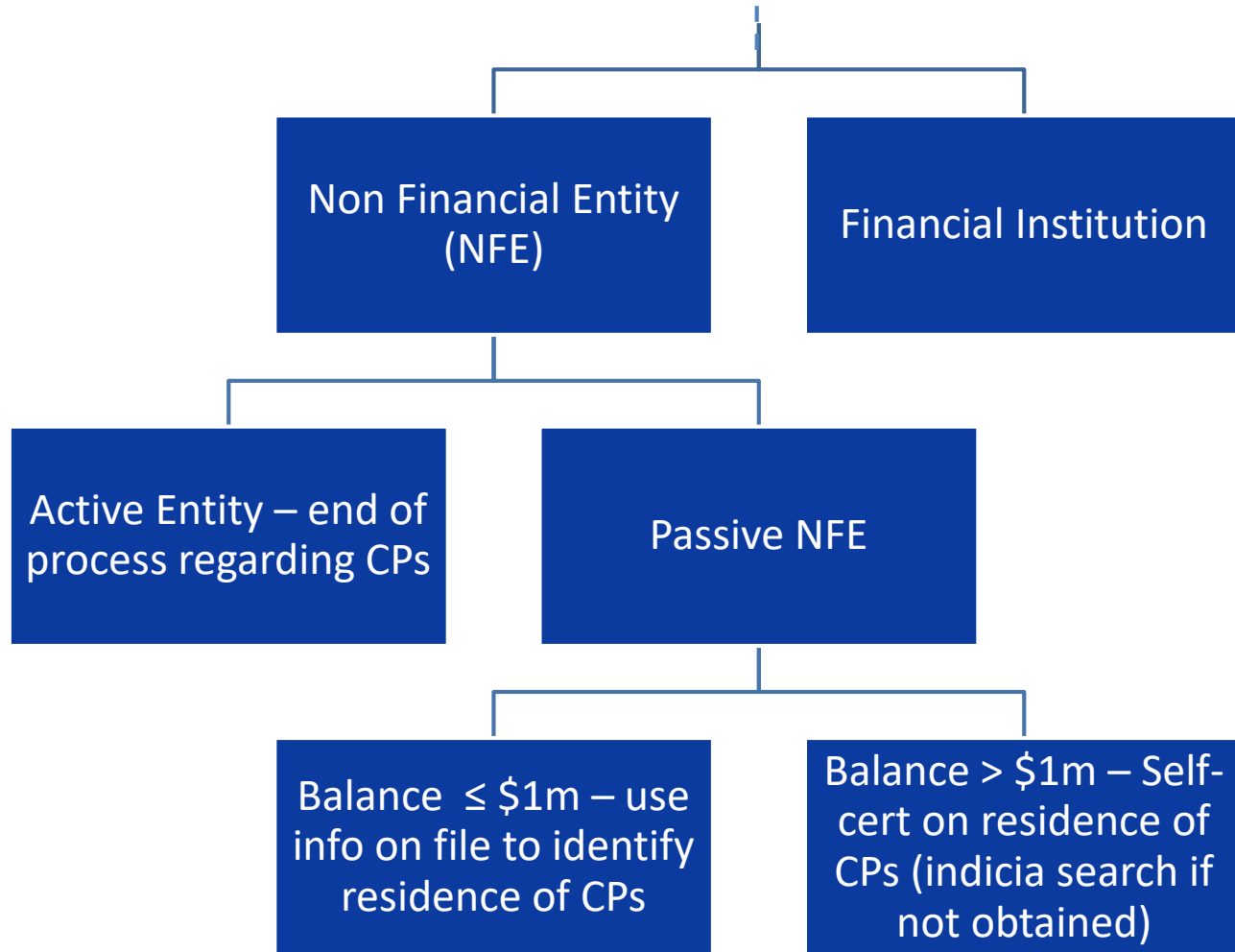
Exempt if  $\leq \$250k$

Examine information  
on file/obtain a self-  
certification

Possibly reportable due to  
the Entity Account Holder

# Preexisting Entity Accounts continued

Second  
process:



Possibly reportable due to the Controlling Persons

# Preexisting Entity Accounts continued

## Process 1: Determining Account Holder's status

- May follow procedures to identify if the Entity is reportable in any order (i.e. first excluded or not in a Reportable Jurisdiction).
- Determinations can be effectively “cured” through obtaining a self-certification or using information that is publically available.

Entity	Indication of residence
Most taxable Entities	Place of incorporation or organisation
Tax transparent Entities, except trusts	Address
Trusts	The address of one or more trustees

## Process 2: Establishing if an Entity is a Passive NFE

- The Financial Institution may use: Information in its possession; information that is publically available; or a self-certification

# Preexisting Entity Account: Case study

## AML/KYC file:

- Director: A
- Shareholders: Company D (50%) and individual R (50%)
- Beneficial owner of Company D: individual M
- R's address: Australia; M's address: UK

## What do you do?

1. Excluded Account?
2. Exempt account?
3. Step 1: Account holder resident in Seychelles.
4. Step 1: Reportable Person? Report to Seychelles.
5. Step 2a: Is ABC Company a Passive NFE?
6. Step 2b: Identify Controlling Persons (R and M) of ABC Company.
7. Step 2c: As account balance is  $\leq \$1\text{m}$ , use residence of R and M on file.
8. Report to Australia and UK.





# New Entity Accounts (process 1)

## Self-certifications

- Unless, based on information that is publically available/in the Financial Institutions possession it is established the Entity is not a Reportable Person, a valid self-certification needs to be obtained establishing the Entity's residence for tax purposes.
- It must be signed/positively affirmed, dated and include the Account Holder's:
  - Name; Residence address; Jurisdiction(s) of residence for tax purposes; TIN(s)
- It may include if the Account Holder is a Passive NFE (process 2).

## Reasonableness

- The self-certification must be compared to the other account opening information (e.g. AML/KYC).
- If found not to be reasonable a new self-certification is needed.

# New Entity Accounts (process 2)

## Establishing Entity status

- To establish whether the Account Holder is a Passive NFE the Financial Institution may use:
  - Information in its possession
  - Information that is publically available
  - A self-certification

## Establishing the Controlling Person's status

- May only use a self-certification by the Controlling Person or the Entity Account Holder.

# OTHER GENERAL DUE DILIGENCE RULES



# General due diligence rules

## New accounts for preexisting customers

- Option to sometimes treat New Account as Preexisting Account, where no new information required from the customer.

## Timings

- Date of split between preexisting/new up to jurisdictions.
- Due diligence deadline for preexisting high value accounts expected 12m later and for low value/entity accounts 24m later.
- Once identified as such, Reportable Accounts become reportable in relation to that year, with information exchanged 9m after.

## Service providers

- Others can fulfill a Financial Institution's obligations.
- Responsibility always rests with the Financial Institution.

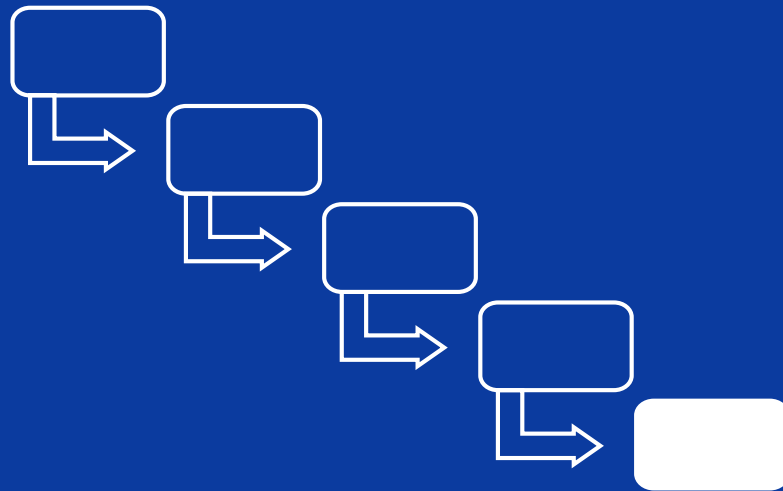
# Comparing the CRS to FATCA

## Step 4: Due diligence rules



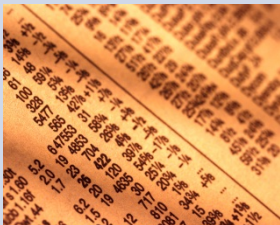
Issue	Common Reporting Standard compared to the Model 1 FATCA IGA	Consistent approach possible?
<b>Thresholds</b>	Unlike IGA, no \$50,000 de minimus for Preexisting Individual Accounts	<b>Threshold optional under the IGA</b>
<b>Indicia</b>	Differences between the CRS and IGA (e.g. US citizenship, place of birth, phone number etc.)	<b>Indicia for different tax residency rules</b>
<b>Incorrect self-certs</b>	Unlike the CRS, under the IGA the default option is to report the information to the US	<b>Changed for a multilateral context</b>
<b>Preexisting Accounts</b>	Under the CRS a Preexisting Entity Account reported above \$250,000, under IGA it is \$1m	<b>Threshold optional under the IGA</b>
<b>Multiple residency</b>	Unlike the IGA, can have multiple reporting under the CRS	<b>The CRS provides for a multilateral context</b>

# THE INFORMATION TO BE REPORTED

(STEP 5)



# The information to be reported

Information type	Information
<p><b>To identify the Account Holder</b></p> 	<ul style="list-style-type: none"> <li>• Name</li> <li>• Address</li> <li>• Jurisdiction(s) of residence</li> <li>• Where available and required: <ul style="list-style-type: none"> <li>• TIN(s), Date of birth, Place of birth</li> </ul> </li> </ul>
<p><b>To identify the accounts and Financial Institution</b></p> 	<ul style="list-style-type: none"> <li>• Account number</li> <li>• Name and identifying number of the Financial Institution</li> </ul>
<p><b>In relation to financial activity in the account</b></p> 	<ul style="list-style-type: none"> <li>• Account balance or value (or the fact the account was closed in-year)</li> <li>• For <u>depository accounts</u>: interest paid</li> <li>• For <u>custodial accounts</u>: interest, dividends, other income and gross proceeds paid</li> <li>• For <u>other accounts</u>: gross amount paid</li> </ul>

# Comparing the CRS to FATCA

## Step 5: Information to be reported

Issue	Common Reporting Standard compared to the Model 1 FATCA IGA	Consistent approach possible?
<b>Date/place of birth</b>	Both required under the CRS, whereas the IGA only requires date of birth if no TIN and no place of birth	<b>To enhance matching in multilateral context</b>
<b>Account Closure</b>	Under the IGA must report balance prior to closure, whereas under the CRS only the fact it was closed	<b>Balance is IGA only</b>



# Timing for due diligence in Qatar

## Timing for 2018 first exchange

2017

**30 June 2017**  
Cut-off date

\*\*\*

Preexisting accounts  
until 30 June 2017  
and  
new accounts  
from 1 July 2017

2018

**30 June 2018**

Due diligence  
on preexisting  
high value  
individual  
accounts  
completed

**September 2018**

First exchanges

All reportable  
new accounts  
and all  
reportable  
preexisting  
high value  
individual  
accounts

Reporting by FIs  
31 July 2018

2019

**30 June 2019**

Due diligence  
on preexisting  
entity and  
preexisting  
low value  
individual  
accounts  
completed

**September 2019**

Second exchanges

All reportable  
new accounts  
and all  
reportable  
preexisting  
accounts

Reporting by FIs  
31 July 2019



# Optional provisions implemented by Qatar

See pages 12-17 CRS Implementation Handbook

Phasing in the requirement to report gross proceeds => Art. 9(1)

Filing nil returns => Art. 5(7)

Allowing third party service providers to fulfil the obligations on behalf of the financial institutions => Art. 4(3) and 5(5)

Allowing the due diligence procedures for New Accounts to be used for Preexisting Accounts => Art. 4(4)

Allowing the due diligence procedures for High Value Accounts to be used for Lower Value Accounts => Art. 4(4)

Residence address test for Lower Value Accounts => Art. 4(5)

# Optional provisions implemented by Qatar

See pages 12-17 CRS Implementation Handbook

Exclusion from Due Diligence for **Preexisting Entity Accounts of less than \$250,000** => **Art. 9(4)**

Alternative documentation procedure for certain **employer-sponsored group insurance contracts or annuity contracts** => **Art. 1(1) and 4(11)**

Allowing financial institutions to make greater use of **existing standardised industry coding systems** for the due diligence process => **Art. 1(1) and 4(12)**

**Currency translation** => **Art. 4(13)**

Allow a Financial Institution to **treat certain new accounts held by preexisting customers as a Preexisting Account** for due diligence purposes => **Art. 1(1)**

Expanded definition of **Related Entity for Investment Entities** => **Art. 1(1)**

# Jurisdiction-specific lists

Two jurisdiction-specific lists of low risk items

Non-Reporting Financial Institutions

Annex 1 of the Resolution

Excluded Accounts  
(non-reportable accounts)

Annex 2 of the Resolution

To comply with the CRS they must meet the following criteria:

- (i) low risk of tax evasion,
- (ii) similar characteristics as CRS categories,
- (iii) defined in domestic law, and
- (iv) not frustrate purposes of the CRS

# Effective implementation

## Section IX of the Standard requires:

Anti-avoidance rules

Record keeping requirements for FIs (steps undertaken / evidence relied on) and accessing the record

Administrative procedures to verify compliance

Ensuring low-risk FIs and accounts continue to have a low risk

Effective enforcement provisions to address non-compliance

# Compliance strategy

## Raising awareness and promoting compliance

- Assisting FIs and Taxpayers in understanding their CRS obligations (meeting, guidance, webcast, etc.)

## Monitoring compliance

- Identifying all RFIs through a list based on a registration process/regulatory bodies, etc.
- Nil returns to monitor the reporting

## Identify risk of non-compliance


- Reporting of a significant number of undocumented accounts, account closure, absence of reporting, etc.
- Monitoring external resources regarding FIs compliance: investigation/sanction imposed by a regulator regarding compliance with AML/KYC procedures.
- Risk based approach by focusing their reviews on key risk areas of the CRS
- Sending enquiries/ conducting a compliance review...

## Implementing a compliance review process

- Reviews the internal control framework maintained by the FIs to comply with CRS obligations: CRS compliance manager, trainings, supervision of employees, business-specific risk assessments, independent reviewer to periodically test the Reporting FI's internal controls and compliance, etc.
- Reviews a sample of accounts

# Administrative compliance framework: some key elements

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Identification of the CRS supervisory authority(ies) (including for those entities that are not regulated) (inter-agency cooperation, resources, access powers, etc.)



Risk assessment process to identify areas of non-compliance or ineffective implementation




Identification of all the FIs covered by the CRS scope (including non-regulated entities)




Compliance strategy with compliance activities (review of policies and procedures, spot checks, analysis of the CRS information, desk-based and on-site check, etc.) (including for service providers)




Follow-up with a Reporting FI when undocumented accounts are reported



Enforcement provisions in place to address non-compliance (legal provisions, administrative procedures, mechanism to detect circumventions of the due diligence or reporting obligations by FIs, Account Holders, or Controlling Persons, etc.)



Process to ensure that the Entities and accounts defined in domestic law as Non-Reporting FIs and Excluded Accounts remain low risk

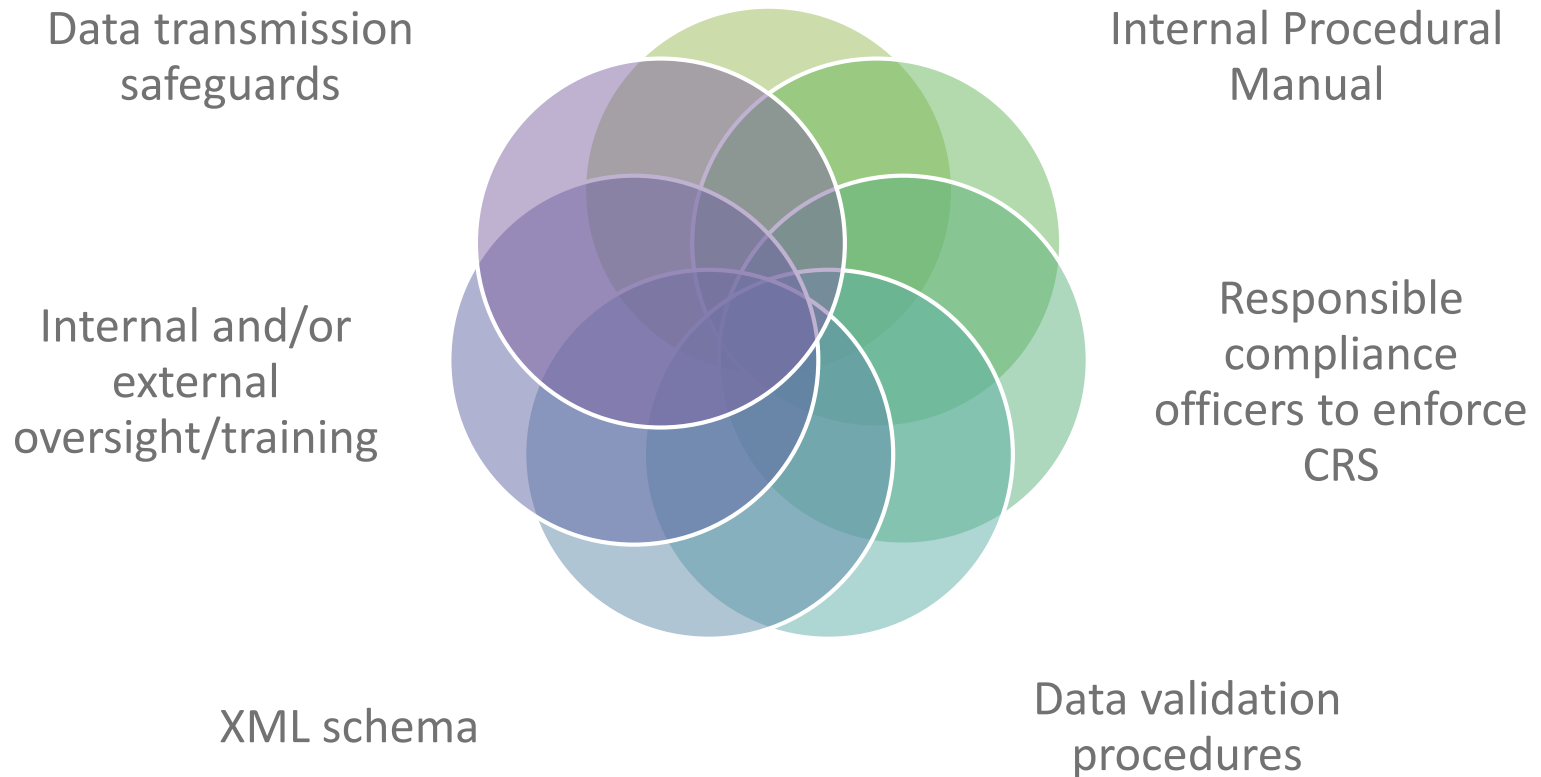


Follow-up on Partners' notifications of errors or possible non-compliance (including obtaining revised data by FIs)

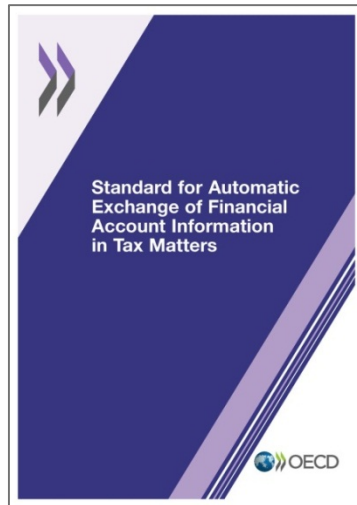


# What FIs need to do to implement CRS?

FIs have important  
role in effective  
implementation of  
the CRS



# Useful resources



## OECD AEOI website



## Global Forum AEOI website



# ANY QUESTIONS?



VISIT THE GLOBAL FORUM WEB SITE:  
**[WWW.OECD.ORG/TAX/TRANSPARENCY](http://WWW.OECD.ORG/TAX/TRANSPARENCY)**