

# Automatic Exchange of Information -The Common Reporting Standard

### What is CRS?

The Common Reporting Standard (CRS) was developed by the Organisation for Economic Co-operation and Development (OECD) to provide systematic and periodic exchange of tax residents' financial account information between participating jurisdictions.

This global standard is built upon information sharing legislation such as the US Foreign Account Tax Compliance Act (FATCA) and EU Savings Directive as a measure to improve tax transparency and counter tax evasion.

### What is exchanged?

Under the CRS, jurisdictions obtain information from their financial institutions and exchange that information with other jurisdictions on an annual basis.

In brief, the CRS sets out:

- Which financial institutions need to report
- The types of accounts and taxpayers covered
- Due diligence procedures
- Financial account information to be exchanged.

### Who is affected?

The CRS impacts a similar range of **financial institutions** (FIs) as FATCA, comprising:

- Depository institutions
- Investment entities
- Custodial institutions
- Specified insurance companies

Hong Kong will adopt a pragmatic approach to include all essential requirements of the Automatic Exchange of Information (AEOI) standard in its domestic law – penalties apply to FIs, employees of FIs and third-party service providers for non-compliance.

Financial accounts held by tax residents in CRS participating countries are reportable, including:

- Individuals
- Entities including trusts and foundations, and the requirement to look through passive entities reporting on controlling persons.

### CRS implementation commitment

Singapore

Switzerland

United Arab

Emirates

Turkey

Uruguav

Vanuatu

Sint Maarten

As at 14 April 2016, 98 jurisdictions had committed to the CRS. Over 50 jurisdictions are early adopters, with a CRS implementation date of 1 January 2016.

### Jurisdictions undertaking first information exchanges by 2017 (Early adopters)

- Anguilla
- Argentina
- Barbados
- Belgium Bermuda
- **British Virgin** Islands
- Bulgaria
- Cayman Islands
- Colombia Croatia
- Curacao
- Cyprus
- Czech Republic
- Denmark Dominica
- Estonia
- Faroe Islands
- Finland
- France

- Germany
- Greece
- Greenland
- Guernsey
- Iceland
- India
- Ireland
- Italy

- Malta
- Mexico

- Gibraltar

- Hungary

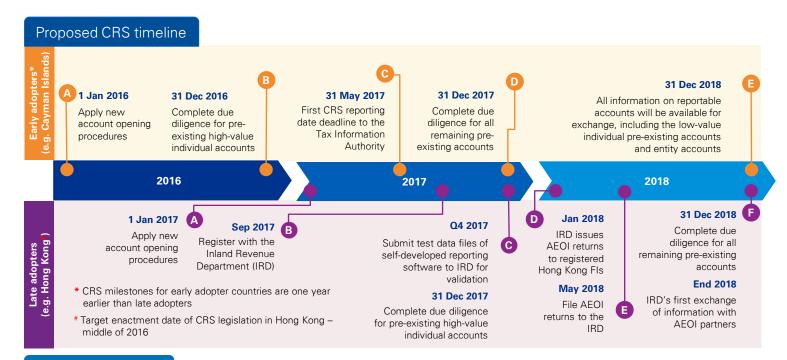
- Isle of Man
- Jersey
- Korea
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Montserrat

- Netherlands
- Niue
- Norway
- Poland
- Portugal
- Romania
- San Marino
- Sevchelles
- Slovak Republic
- Slovenia
- South Africa
- Spain
- Sweden
- Trinidad and Tobago
- Turks and Caicos
- United Kingdom

### Jurisdictions undertaking first information exchanges by 2018 (Late adopters)

- Albania
- Andorra
- Antigua and Barbuda
- Aruba
- Australia
- Austria
- The Bahamas
- Belize
- Brazil
- Brunei
- Darussalam
- Canada
- Chile
- China Cook Islands
- Costa Rica
- Ghana
- Grenada Hong Kong

- Indonesia Israel
- Japan
- Kuwait
- Macau
- Malaysia
- Marshall Islands
- Mauritius
- Monaco
- Nauru
- New Zealand
- Qatar
- Russia Saint Kitts and
- Nevis
- Samoa
- Saint Lucia Saint Vincent and the Grenadines
- Saudi Arabia



### Impact of the CRS

### AEOI compliance is not optional

The CRS multiplies the number of account holders and investors that must be identified and reported.

Asset managers and insurance companies are the most unprepared.

# Timely and comprehensive planning will be required to properly allocate resources

Fls should take into account the statutory timeline with its phased in obligations.

## Collecting complex and varied information

The CRS impacts information gathering from investors and account holders. Fls will need to collect account holder status and tax residency, which will differ from FATCA.



**Business impacts** 

#### Commercial impact systems & culture

Fls need to keep abreast of new global regulations, manage relationships with multiple tax authorities, and educate staff and clients on account opening procedures and reporting requirements.

### AEOI compliance will not be 'business as usual'

The CRS impacts processes such as customer onboarding, pre-existing customer due diligence, reporting and governance. Related systems and databases may also require modification.

# CRS compliance will increase costs and negatively impact margins

CRS compliance requires internal resources and external cost. An efficient compliance plan is necessary to minimise drains on both.

### The CRS is more than just an enhanced version of FATCA

The scope of CRS is much wider than FATCA:

- No de minimis account balance thresholds for reviewing individual account holders under the CRS
- Expansion of financial institutions subject to the CRS
- Search for non-resident account holders from possibly 90+ jurisdictions.

The strategy for avoiding reportable persons under FATCA is not likely possible under CRS.

### Are you ready for the CRS?

- Where are you currently in your CRS compliance effort?
- How challenging has the preparation for the CRS regime been for your organisation?
- Are you confident that your organisation will achieve CRS compliance by the deadlines, especially if you have operations in early adopting jurisdictions?
- Do you know what the majority of affected organisations in your industry are doing to address the CRS requirements?

### Are you ready for CRS? Please contact us to discuss how we can help:

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KPMG's Hong Kong office was awarded **FATCA Firm of the Year** by Finance Monthly

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