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Tax Flash News

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CBDT Guidance Note 2026: Key updates on FATCA CRS framework

Executive summary

The Central Board of Direct Taxes (‘CBDT’) has issued a revised Guidance Note on Foreign Account Tax Compliance Act (‘FATCA’) and the Common Reporting Standard (‘CRS’), superseding the earlier version updated on 30 November 2016.[1]

The revised Guidance Note aims to guide Reporting Financial Institutions (‘RFIs’) in complying with the FATCA CRS reporting obligations under the Income-tax Act, 2025 (‘the 2025 Act’), the Income-tax Rules, 2026 (‘the 2026 Rules’), and the OECD’s CRS 2.0 amendments relating to crypto-assets, Specified Electronic Money Products (‘SEMPs’) and Central Bank Digital Currencies (‘CBDCs’).

While the crypto-assets related amendments had already been incorporated into the 2025 Act and the 2026 Rules earlier,[2] the revised Guidance Note provides the necessary guidance for their implementation and reporting.

Further, CBDT has issued a separate Guidance note on Crypto-Assets Reporting obligations, which provides detailed guidance on the application of the FATCA CRS framework to crypto-assets, SEMPs, and CBDCs in India.

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[1] CBDT Guidance Note on FATCA and CRS – As accessed on 31 July 2026

[2] Please click here to access our Flash News dated 27 February 2026 for more details

Key changes

Key developments include Data Quality and importance of Tax Identification Numbers (‘TINs’), recognition of Government Verification Service (‘GVS’) as an additional due diligence tool, expanded reporting obligations relating to Controlling Persons and trust-based Investment Entities and the introduction of the Significant Non-Compliance (‘SNC’) framework. The Guidance Note also includes a comprehensive set of FAQs to promote a consistent understanding and application of FATCA CRS requirements across RFIs.

Data quality and importance of TINs

The revised Guidance Note underscores the critical importance of high-quality data reporting by RFIs, particularly the accurate collection and reporting of TINs.

Recognising that missing or incorrect TINs can hinder the effective matching of taxpayer information exchanged between jurisdictions, the CBDT has directed RFIs to strengthen validation processes, including verifying TIN formats against the OECD TIN Reference Guide where feasible. In cases where a TIN cannot be obtained despite reasonable efforts, RFIs must record the applicable reason rather than leaving the field blank.

Government Verification Service introduced

A GVS is an electronic verification mechanism made available by a reportable jurisdiction to RFIs for confirming an Account Holder's or Controlling Person's identity and tax residence.

Importantly, a unique reference number, code, or other confirmation obtained through a GVS may be treated as a functional equivalent of a TIN for CRS purposes.

The GVS would provide an additional due diligence tool for RFIs.

Important clarification

The use of a GVS is optional and is intended to supplement, not replace, existing CRS due diligence requirements. RFIs must still obtain self-certifications and other documentary evidence where required under applicable CRS rules.

CBDT will issue further guidance once such a service becomes available.

Expanded information reporting requirements for non-USA reportable accounts

The revised Guidance Note provides greater clarity on the additional data fields relating to controlling person roles and equity interest holder roles that RFIs are required to report under the CRS framework from 1 January 2026.

I) Controlling person's roles

Where an entity account has one or more Reportable Controlling Persons, RFIs must report not only the individual's name, address, TIN, and date of birth, but also the specific Controlling Person's role.

Key roles to be reported include:

- *Trusts*: Settlor, Trustee, Protector, Beneficiary, and Other persons exercising ultimate effective control. (All beneficiaries are controlling persons regardless of their percentage interest - CBDT clarification dated 30 July 2020).
- *Companies*: Controlling ownership interest holders or control through management rights.
- *Partnerships or similar arrangements*: Individual identified as controlling person by virtue of capital or profit-sharing interest.

RFIs must capture controlling person's roles in a structured, electronically searchable field within account management systems and not as free text, enabling extraction for CRS reporting.

II) Equity interest holder role reporting

Where an equity interest is held in an Investment Entity that is a legal arrangement, the RFI is required to report the specific role(s) by virtue of which the Reportable Person holds that equity interest.

This requirement is particularly relevant to trusts that qualify as Investment Entities (for example, Type B Investment Entities managed by another Financial Institution).

In such cases, equity interests in the trust-as-Investment-Entity are generally held by persons in capacities such as settlor, trustee, beneficiary, or any other natural person exercising ultimate effective control over the trust, and the relevant role must be disclosed as part of the CRS reporting framework.

Applicability of controlling person's role and equity interest holder role disclosure

Reporting requirement	When it applies
Controlling person's role	Account held by an Entity (including a Passive NFE trust) with a Reportable Controlling Person in a RFI
Equity interest holder roles	Account held by an Investment Entity that is a legal arrangement (e.g., a trust-as-Investment-Entity) in a RFI; the Account Holder itself is the trust

Transitional relief

For CRS Reportable Accounts maintained as of 31 December 2025, both controlling person role and equity interest holder role information may be reported if available in electronically searchable records for reporting periods ending by 31 December 2027. After that date, role reporting becomes mandatory for all reportable accounts.

Significant Non-Compliance framework added

Where an Indian RFI fails to meet its FATCA obligations, such as reporting USA reportable accounts or mandatory information including USA TINs, date of birth etc., the USA Competent Authority may initiate the SNC process under the India-USA Intergovernmental Agreement (‘IGA’).

Under the FATCA compliance framework, where the USA Competent Authority identifies an Indian RFI as potentially significantly non-compliant, the institution is initially granted 30 days to rectify the issue.

If the deficiencies are not addressed, the USA Competent Authority will intimate the CBDT about the deficiencies. The CBDT, through the Directorate of Intelligence and Criminal Investigation (‘I&CI’), works with the RFI over an 18-month remediation period to resolve the non-compliance.

If the RFI continues to remain non-compliant even after this period, the USA may classify it as a Non-Participating Financial Institution (‘NPFI’) resulting in:

- removal of the institution's GIIN from the IRS Foreign Financial Institutions List; and
- application of 30 per cent USA withholding tax on certain USA source payments to be imposed by USA as well as other USA partner jurisdictions who have entered into an agreement with the USA.

Although these consequences were already embedded in the India-USA IGA, the revised Guidance Note provides greater clarity on the process and enforcement framework.

The Guidance Note also clarifies that the use of IRS TIN Codes (FAQ 6 Codes) and compliance with the conditions prescribed under IRS Notices 2023-11 and 2024-78 may provide relief from an SNC determination solely due to missing USA TINs for pre-existing accounts. However, this relief does not extend to other FATCA reporting failures.

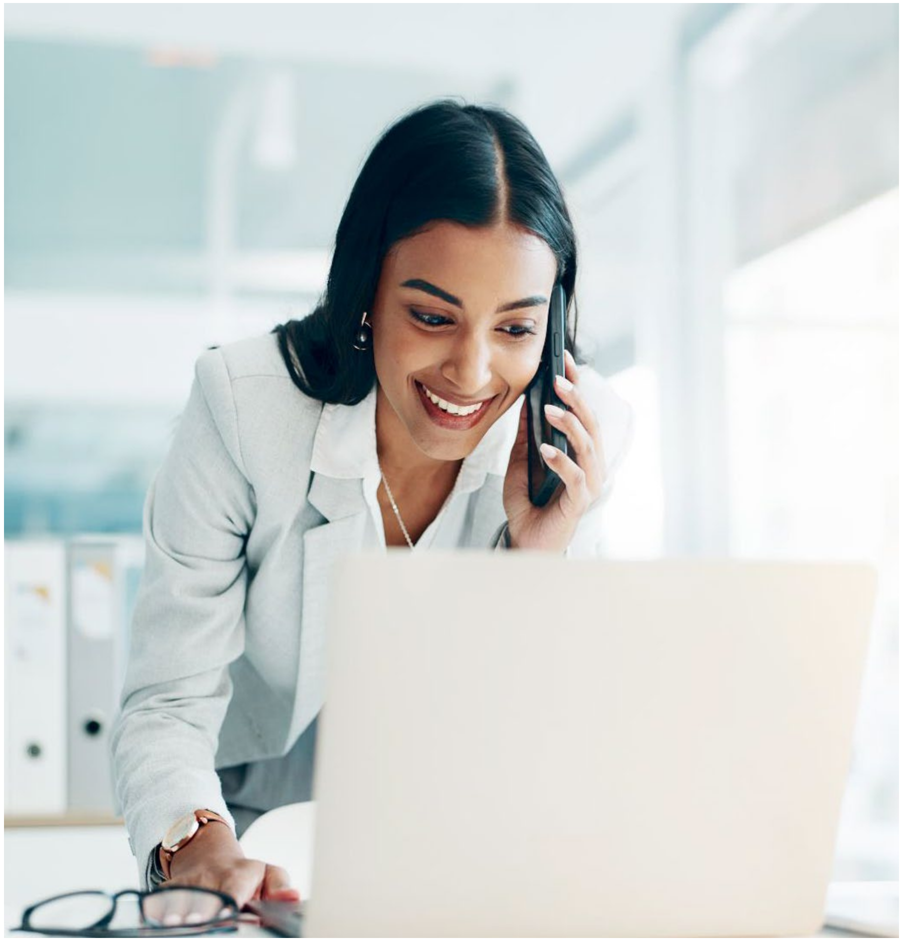
What this means for RFIs

The revised Guidance Note reinforces that FATCA compliance is not merely a reporting obligation but a critical regulatory requirement for Indian RFIs. Failure to address reporting deficiencies may lead to a SNC determination and, ultimately, NPFI status, resulting in adverse operational and financial consequences. RFIs should therefore ensure accurate and complete FATCA reporting while proactively rectifying any gaps to mitigate the risk of regulatory action.

Our comments

While many of the amendments in the revised Guidance Note are intended to align India's reporting regime with the OECD's CRS 2.0 standards and evolving international tax transparency requirements, the overall direction is clear – greater data accuracy, enhanced beneficial ownership and equity interest transparency, and stronger accountability for RFIs.

Collectively, these measures are designed to improve the quality and completeness of information exchanged between tax administrations and reduce opportunities for tax evasion through complex ownership structures.



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