



A single global standard for the automatic exchange of financial information between tax authorities worldwide

Automatic Exchange of Information for account holders: Common Reporting Standards (CRS)

Background

Offshore tax evasion has become a growing concern for countries worldwide. In recent years, governments and financial institutions have become much more aware of the large amounts of undisclosed wealth held in offshore accounts.

In 2013 the G20 leaders committed to the Automatic Exchange of Information as a new global standard, and endorsed the Common Reporting Standard (CRS) for the automatic exchange of tax information between participating countries.

CRS creates a globally co-ordinated and consistent approach to the disclosure of financial accounts held by account holders. The agreement requires sharing of information between the tax authorities regarding accounts and investments.

To date over 90 countries have signed and agreed to the Automatic Exchange of Information Act.

Difference between CRS and FATCA

Although there are many similarities between CRS and FATCA, there are also some fundamental differences:

- Unlike the US Foreign Accounts Tax Compliance Act (FACTA) regime, CRS does not call for financial institutions to register, nor will any withholding of tax be applied

- CRS focuses on tax residency, while FATCA focuses on US citizenship

Due diligence requirements

The CRS regulation requires financial institutions such as RMB to report to the local tax authority. Account holders who have foreign tax residencies in participating jurisdictions and their associated accounts also need to comply.

Reportable accounts include accounts held by individuals and entities (including trusts and foundations), as well as declaring information on reportable controlling persons.

RMB is in the process of preparing for the regulatory requirements. The required changes will be made to the client on-boarding process and forms.

We will be requesting additional information from new clients, as well as remediating existing clients, by gathering additional information in order to determine the reporting classification of the account holder.

The new changes will come into effect in:

- United Kingdom – 1 Jan 2016**
- South Africa – 1 Mar 2016**

If you have any questions, you may contact the RMB support team: fatcasupport@rmb.co.za

