

Common Reporting Standard

Common reporting Standards (“CRS”) is designed to grapple with tax evasion arising out of increased global trade. CRS provides standard procedures to be followed by financial institutions to identify and report annually to their local tax authorities certain accounts (Reportable Accounts) held by tax residents of Reportable Jurisdictions, or accounts for certain entities in which such persons have an interest. Local tax authorities will, in turn, forward the information to the relevant Reportable Jurisdictions with which they have Competent Authority Agreements (CAAs) and accordingly have an obligation to exchange information.

The **Common Reporting Standard (CRS)**, developed in response to the G20 request and approved by the OECD Council on **15 July 2014**, calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.

The Standard consists of the following four key parts:

- A model Competent Authority Agreement (CAA), providing the international legal framework for the automatic exchange of CRS information;
- The Common Reporting Standard
- The Commentaries on the CAA and the CRS; and
- The CRS XML Schema User Guide



UAE Government has signed an international convention Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) and Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA). The MCAA contains the rules on the exchange of information between the UAE Competent Authority and partner jurisdiction Competent Authorities. The confidentiality, safeguards and the existence of the necessary infrastructure for an effective exchange are all covered by the MCCA.

The both agreements are legal instruments for the implementation of the international OECD standard of Automatic exchange of information (AEOI) – CRS for tax purposes.

The Ministry of Finance- the UAE Competent Authority, as per the Cabinet Resolution is in charge of the AEOI- CRS Implementation.

The UAE CRS Regulations will be published by the UAE Financial Institutions Regulators:

- UAE Central Bank
- Securities and Commodities Authority- *Decision of the chairman of the SCA board of Directors No. (25/R.M) of 2017 Concerning the Issuance of Regulation for Common reporting standards to prepare the Tax Reports*
https://www.sca.gov.ae/English/Documents/LastestRegulations/2017-25_E.pdf
- Insurance Authority- *Insurance Authority Board of Directors Decision No. (32) of 2017 Concerning the Common Reporting Standard Regulations*
<http://ia.gov.ae/en/Documents/32E.PDF>
- DIFC- *Proposed Common Reporting Standard Law, DIFC Law No. 7 of 2017*
https://www.difc.ae/files/5015/0754/0925/Annex_1_-_Consultation_Paper.pdf
- ADGM

Key Timelines

The first reporting due date for the CRS in the UAE is 30th June 2018 and consequently by 30 June of the year following each reporting period. Reporting is an annual event.

The following are the effective dates for the implementation of the CRS in the UAE:

- Pre- existing Accounts to be subjected to due diligence procedures are those in existence as at 31 December 2016.
- New Accounts to be subjected to due diligence procedures are those opened on or after 1 January.
- The first CRS reporting period ends on 31 December 2017.
- The review of pre- existing High Value Individual Accounts at 31 December 2016 must be completed by 31 December 2017.
- The reportable pre- existing High Value Accounts need to be reported by 30 June 2018.
- The review of Pre-existing Lower Value Individual Accounts at 31 December 2016 must be completed by 31 December 2018.
- First exchange's of Information by the UAE Competent Authority to the Reportable jurisdictions will occur on or after 30 September 2018.

Confidentiality

The UAE competent Authority shall not exchange information under the CRS until it is satisfied that a Reportable partner jurisdiction has in place adequate measures to ensure the required confidentiality and data security. These confidentiality obligations are evaluated by the Global Forum on Transparency and Exchange of Information for Tax Purposes through its implementation monitoring program.

UAE TAX Residency Definitions

“Resident person” in the UAE means:

1. An individual:
 - a) Any UAE National
 - b) An individual who is a resident in UAE with
 - A valid emirates ID
 - A valid Residency Visa.

2. An Entity:
 - a) An entity which is incorporated, registered, managed and controlled within the territory of the UAE.

Common Reporting Standard ... Continued

CRS Approach:

Under CRS, the UAE has opted for the “widest approach”. Reporting financial institutions are required to perform due diligence procedures and report information on all accounts held by an account holder who is resident for tax purposes in a jurisdiction other than the USA or the UAE jurisdiction. The USA is excluded because jurisdiction will be reporting to the USA under FATCA.

Reporting Institutions under CRS:

All financial institutions – that includes banks, custodians, insurers and asset managers– in participating countries are required to be compliant with the CRS.

What information reporting Institutions share with the tax authorities?

Under the CRS requirements, for all accounts:

- Name
- Address
- Jurisdiction(s) of tax residence
- TIN(s)
- Name of the Reporting Financial Institution
- Account number
- Account balance
- Gross amount paid to the account in a year (interest, dividends, other income)
- Gross proceeds paid or credited to the account

Additional information for individual accounts and Controlling Persons may include:

- Date of birth
- Place of birth

Status of MAC: http://www.oecd.org/tax/exchange-of-tax-information/Status_of_convention.pdf

Status of MCAA: <https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/MCAA-Signatories.pdf>

Abbreviations:

CRS- Common Reporting Standard

CAA- Competent Authority Agreement

OECD- Organization for Economic Co-operation and Development

MAC- Mutual Administrative Assistance in Tax Matters

MCAA- Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information

AEOI- Automatic exchange of information

This article has been written in general terms and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.