

Introduction to Common Reporting Standards and tax residency

DFSA Annual Supervision Outreach Session

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Agenda

Introduction to CRS and its applicability to DIFC entities

Guidance on tax residencies



Introduction to CRS

- AEOL at a glance
- How does FATCA and CRS work?
- Global participation
- Key similarities / differences
between FATCA and CRS
- Potential CRS entity
classifications | DIFC entities

AEOL at a glance

➔ **FATCA rules, forced global financial institutions to start reporting details on their US clients.**

➔ **CRS is effectively a global version of FATCA, requiring financial institutions to report information on:**

- **accounts held by tax residents of reportable jurisdictions; and**
- **certain entities controlled by such tax residents.**



Global financial crisis triggered focus on information exchange.



There are many forms of AEOI, but the biggest is FATCA followed by the UK/CDOT regime.



The Common Reporting Standard (CRS) is an OECD initiative, to expand the rules of FATCA to all countries.



FATCA and CRS rules differ from country to country. Legislations are still pending enactment / issuance.



Compliance will touch most functions within a FI, like Tax, Legal, Regulatory, IT, AML and others.

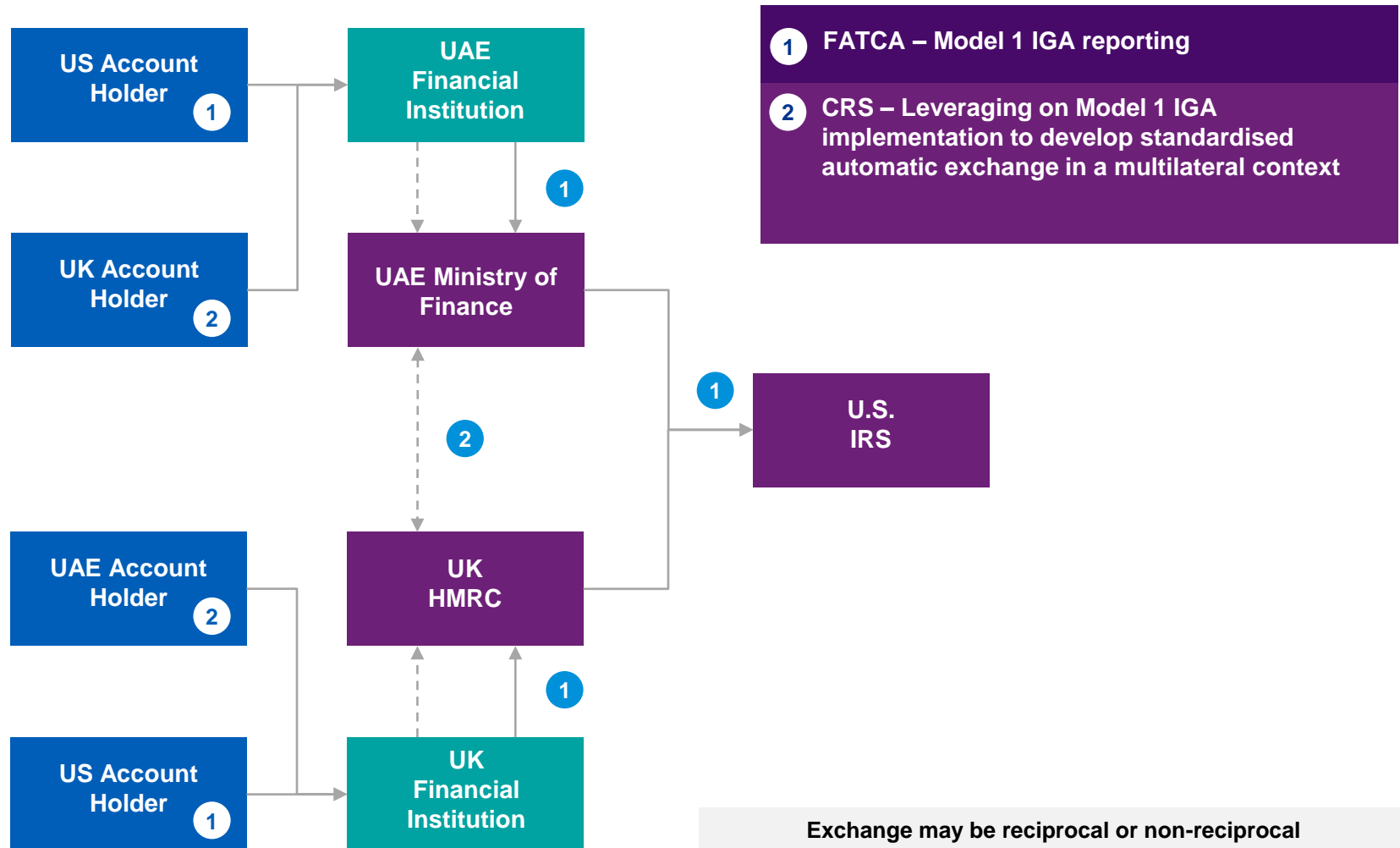


**Signed FATCA Model 1 IGA with the US on 17 June'15.
Signed CRS MCAA on 21 April 2017 – second wave adopter.**

Key difference between FATCA and CRS

**CRS requires banks to
report the
“tax residency”
of an account
holder.**

How does FATCA and CRS work?



Global participation



113

countries

FATCA

101*

countries

CRS

CRS commitments

Jurisdictions undertaking first exchange by 2017 (Onboarding by January 1, 2016)

Anguilla, Argentina, Barbados, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Niue, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Trinidad and Tobago, Turks and Caicos Islands, United Kingdom

Jurisdictions undertaking first exchange by 2018 (Onboarding by January 1, 2017)

Albania, Andorra, Antigua and Barbuda, Aruba, Australia, Austria, The Bahamas, Bahrain, Belize, Brazil, Brunei Darussalam, Canada, Chile, China, Cook Islands, Costa Rica, Dominica, Ghana, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Kuwait, Lebanon, Marshall Islands, Macao (China), Malaysia, Mauritius, Monaco, Nauru, New Zealand, Panama, Qatar, Russia, Saint Kitts and Nevis, Samoa, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Turkey, **United Arab Emirates**, Uruguay, Vanuatu

Key similarities / differences between FATCA and CRS

Similar framework means work is grouped in common themes:

Entity classification / definitions

Onboarding

Preexisting customers / remediation

Reporting

Governance

Important differences between FATCA and CRS, will require modifications to existing FATCA compliance programs

No Withholding

Individuals

- Residence (not including citizenship)
- No thresholds
- Residence address test for pre-existing accounts

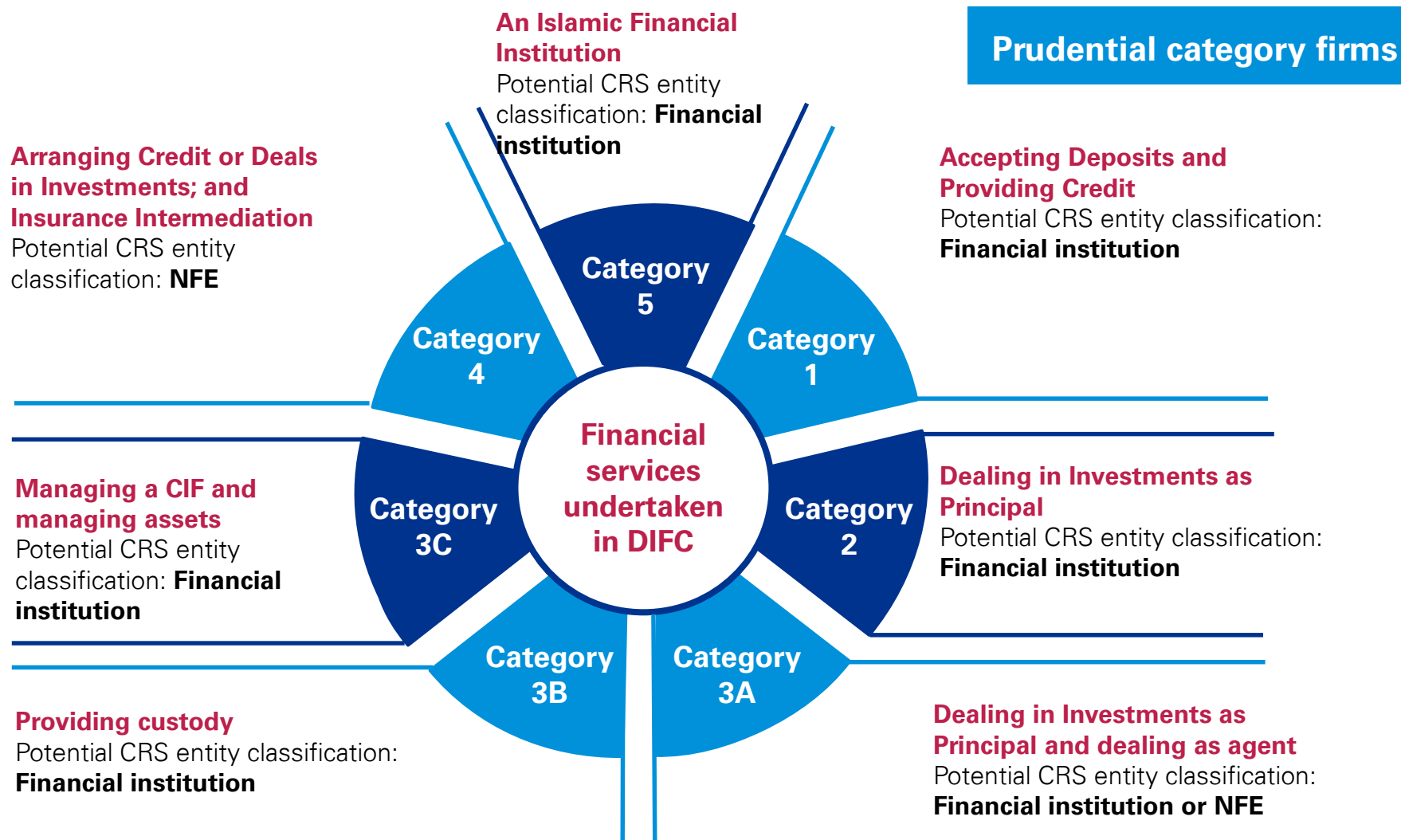
Entities

- Look-through Passive NFEs and identify its **Controlling Persons**
- Due diligence of pre-existing entity accounts < \$250k

Low risk FIs and products

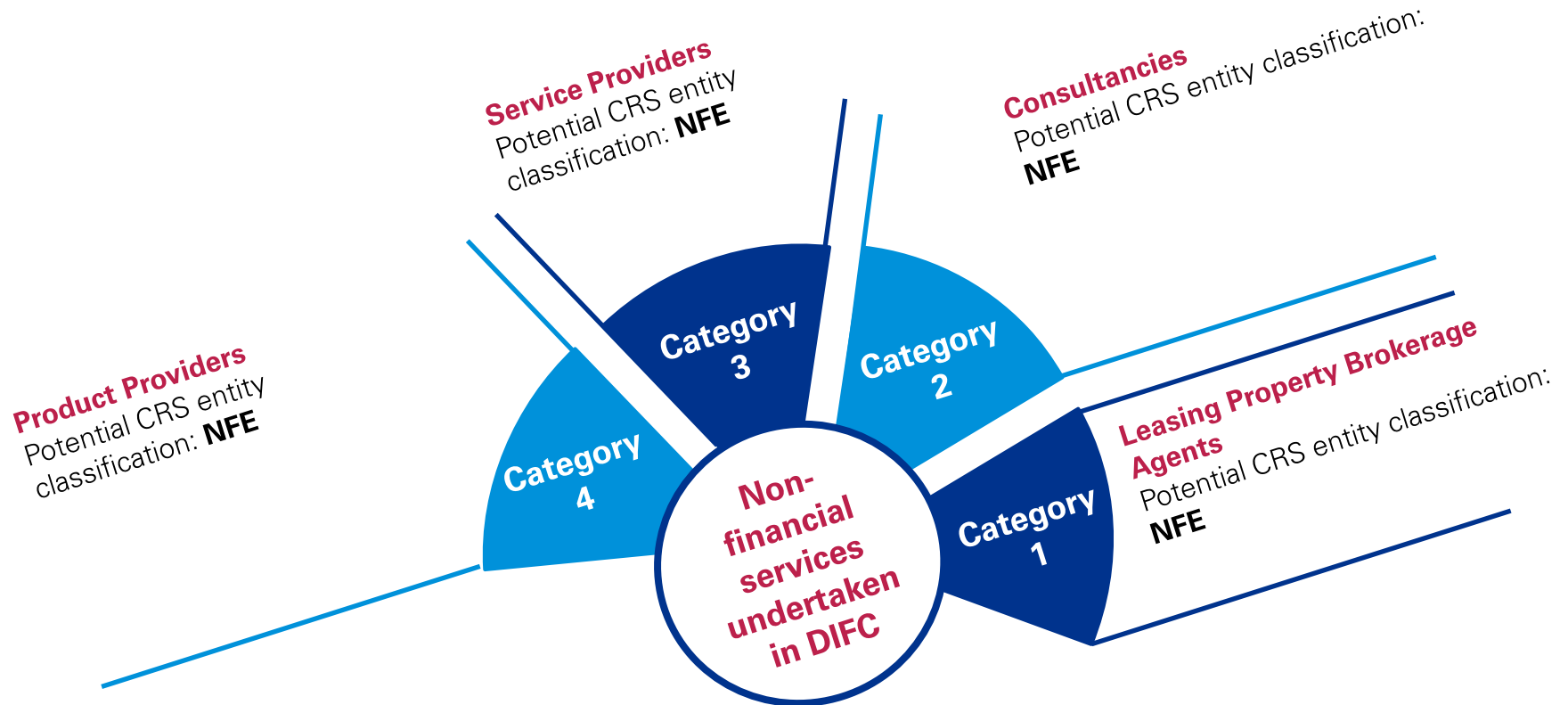
General exclusion for country specific low-risk reporting financial institutions and accounts

Potential CRS entity classifications | DIFC entities



Potential CRS entity classifications | DIFC entities

Other category firms





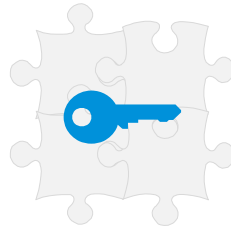
Guidance on tax residencies

- Tax residency points to consider
- UAE tax residency
- Tax residency - illustrations

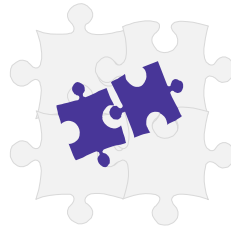
Tax residency points to consider



Determine and monitor the tax residency status of the individual or entity based on management and control and / or incorporation



Tax residency of an individual or entity is not fixed



Multiple tax residencies are possible in the same year



Different tax residencies in subsequent years



UAE tax residency

"Resident Person" in the UAE means:

- **An individual:**
 - **Any UAE National; or**
 - **An individual who is a resident in UAE with:**
 - **a valid Emirates ID and**
 - **a valid Residency Visa**
- **An entity:**
 - **An entity which is incorporated, registered, managed and controlled within the territory of the UAE.**

UAE tax residency certificate requirements:

- **Resident in the UAE for more than 180 days**
- **Report from the General Directorate of Residency and Foreigners Affairs**
- **Other documents like – bank statements, lease contracts.**
- **Only applicable for claiming DTT benefits**

Tax residency – illustrations – Individuals



Until 2012, India: Indian citizen - PAN

Post 2012, UK: became British citizen - UTR

Currently UAE resident



In the current year, where is this individual tax resident?

2018: Returns to India for 183 days

Spends the minimum required days in UK as per the statutory residence test

Still maintains UAE residence visa and Emirates ID



In 2018, where is this individual tax resident?

Tax residency – illustrations - Entities



Incorporated in the UAE

Three board members are UK resident and **two** are UAE residents: Meetings take place in the UAE



In the current year, where is this entity tax resident?

Incorporated in the UAE

Three board members are UK resident and **two** are UAE residents: Meetings take place, at all times, in the UK



In the current year, where is this entity tax resident?

With limited time left, what should financial institutions focus on?



1

Mobilization and Governance

Due date: As soon as possible

4

Remediation

Due date: Q2 2017



2

Impact Assessment and gap analysis

Due date: As soon as possible

5

Reporting

Due date: 30 June 2018

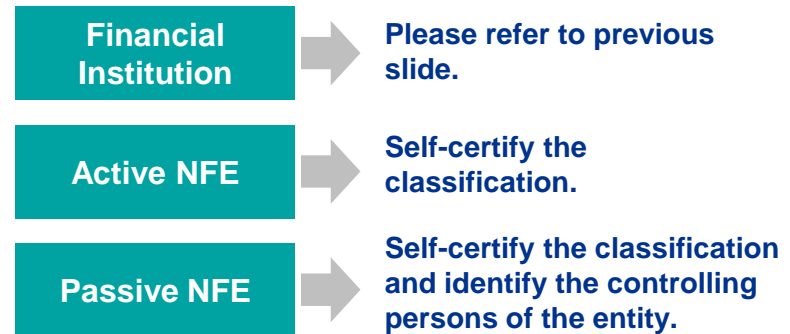
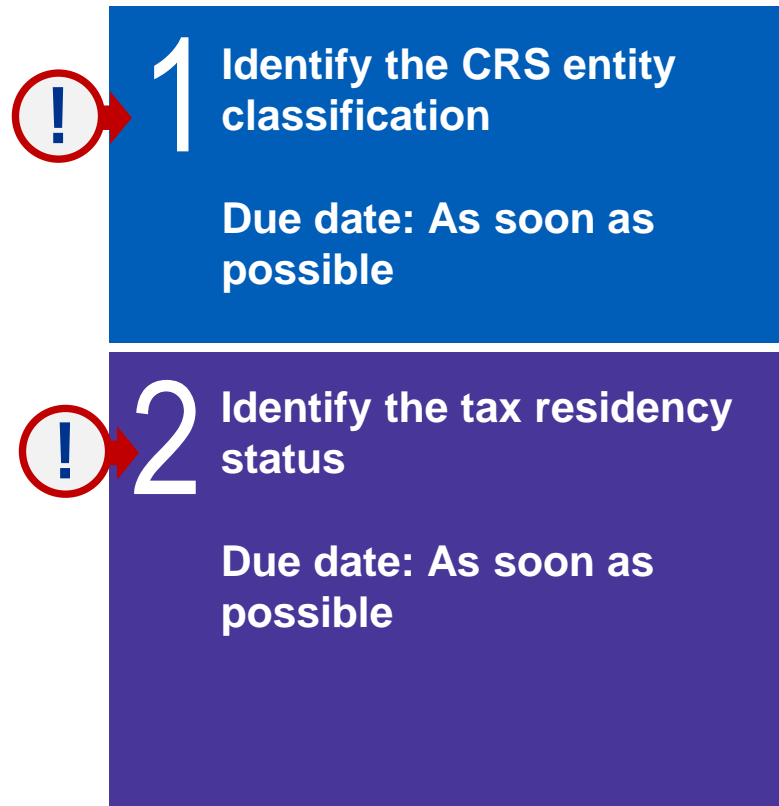


3

Implement new customer on-boarding

Due date: 01 January 2017

....and what should account holders focus on?



Certification requirements

FATCA

Collection of Forms W-8 or W-9

CRS

Collection of self-certification that includes all jurisdictions of residence and TINs

Thank you

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