

# THE IMPLEMENTATION OF C.R.S

The Common Reporting Standard (CRS) Act was passed by the National Assembly in December 2016 and has been gazetted. In addition, St. Kitts and Nevis has committed to first exchange in 2018. To meet this deadline, it is important for the Reporting Financial Institutions to review and understand the Act and Regulations as well as to begin preparing the relevant information to report to the Competent Authority as early as possible. *See the FSRC's May 2016 Newsletter on Common Reporting Standards for more information on the timelines.*

Reporting Financial Institutions should review their Financial Accounts to identify Reportable Accounts by applying Due Diligence Rules and then Report the relevant information.

## Reportable Financial Accounts

A reportable account is a financial account held by

1. One or more Reportable Persons
2. A Passive Non-Financial Entity with one or more Controlling Persons that is a Reportable Person

Financial accounts include:

- \* Deposit Accounts
- \* Custodial Accounts
- \* Equity and debt interests — Investment Entities; and
- \* Cash Value Insurance Policies/Annuity Contracts.



## Accounts which are Excluded

- \* Retirement and Pension Accounts;
- \* Term Life Insurance Contracts
- \* Estate Accounts
- \* Escrow Accounts
- \* Other Low Risk Accounts — such as accounts held by corporations whose stock is regularly traded on an established securities market; Government Entities; and Financial Institutions.

## Controlling Persons that are Reportable

- \* A Financial Account held by a **Passive Non-Financial Entity (Passive NFE)** with a Controlling Person(s) who is (are) a Reportable Person(s), is (are) a Reportable Account.
- \* An NFE is passive when 50% or more of its gross income is passive income or 50% or more of its assets produce **passive income** (such as dividends, interest, royalties and annuities)



**Controlling Person** is the Beneficial Owner of an entity (Natural Person who exercises control over the Entity). This person **normally owns 25% or more of the entity.**

## Reportable Jurisdictions

The following are reportable jurisdictions as outlined in Schedule 3 of the Common Reporting Standard Regulations: Argentina; Australia; Belgium; Bermuda; Brazil; British Virgin Islands; Bulgaria; Canada; Cayman Islands; Chile; China; Czech Republic; Denmark; Faroe Islands; Finland; France; Germany; Gibraltar; Greece; Greenland; Guernsey; Iceland; India; Ireland; Isle of Man; Italy; Jersey; Korea; Latvia; Liechtenstein; Luxembourg; Malaysia; Malta; Mauritius; Mexico; Monaco; Netherlands; New Zealand; Norway; Poland; Portugal; Russia; San Marino; Saudi Arabia; Seychelles; Slovenia; South Africa; Spain; Sweden; Switzerland ; United Kingdom; and Uruguay.



## Topics Discussed:

- ⇒ **Reportable Financial Accounts**
- \* **Accounts which are Excluded**
- ⇒ **Reportable Jurisdictions**
- ⇒ **Controlling Persons that are Reportable**
- ⇒ **Due Diligence Rules**
- ⇒ **Information to be Reported**
- ⇒ **The Effective Implementation of CRS**

## **Due Diligence Rules**

All Reportable Financial Institutions are required to establish, maintain and document the following due diligence procedures which are designed to identify reportable accounts maintained by the institution.

- \* Pre-Existing Individual Accounts
  - identification of the Account Holder
  - current mailing address
  - telephone numbers in a Reportable Jurisdiction
- \* New Individual Accounts
  - Valid Certification establishing tax residency
  - Include: Name, Residence address, Jurisdiction or residence for tax purpose, Tax identification number, Date of Birth
- \* Pre-Existing Entity Account (Possibly reportable due to the Entity Account Holder)
  - Exempt if less than or equal to \$ 250,000
- \* New Entity Accounts
  - Self certification
  - Establish Entity Status (Passive? Exempt? Ordinary?)
  - Establish Controlling Person status



## **Information to be Reported**

For each reportable account identified subsequent to conducting the due diligence, the following information should be reported:

1. To Identify the Account Holder
  - Name
  - Address
  - Jurisdiction of residence
  - Tax identification Number, Date of Birth, Place of Birth
2. To Identify the Accounts and Financial Institution
  - Account Number
  - Name and identifying number of the Financial Institution
3. In relation to Financial Activity in the Account
  - Account Balance or Value (or the fact the Account was closed in-year)
  - For Depository Accounts: Interest Paid
  - For Custodial Accounts: Interest, Dividends, Other Income and Gross Proceeds Paid
  - For other Accounts: Gross Amount Paid



## **The Effective Implementation of CRS**

For the effective implementation of CRS the FSRC reiterates that Financial Institutions should:

1. Begin conducting the necessary due diligence procedures for pre-existing and new accounts so that the information can be reported to the Competent Authority in a timely manner as to meet the 2018 deadline.
2. Familiarize themselves with the CRS Act and Regulations as well as any other CRS requirements.
3. Communicate with the Competent Authority and ask questions where necessary.
4. Be involved in any CRS awareness meetings or training sessions that may be organized.

### **References:**

- Common Reporting Standard (Automatic Exchange of Financial Account Information ) Act, No. 13 of 2016.
- Common Reporting Standard (Automatic Exchange of Financial Account Information ) Regulations, No. 32 of 2016
- Standard for Automatic Exchange of Financial Information in Tax Matters Implementation Handbook.