

Last reviewed and updated: May 2017

Common Reporting Standard Frequently asked questions

The need for protecting the integrity of tax systems on a global level and preventing tax evasion was exponentially increased. Since 2014, the Republic of Cyprus has committed in adopting FATCA, which promotes cross border tax compliance by implementing an international standard for the automatic exchange of information related to US taxpayers.

After that initiative, the environment for tax reporting between international jurisdictions is continually evolving and undergoing significant changes in a global effort to improve global tax transparency. Aiming to reduce tax evasion and protect the integrity of tax systems, governments around the world are introducing the automatic exchange of information and reporting requirements for financial institutions. This is known as the OECD Common Reporting Standard and with this document we would like to assist you with understanding what it means for you.

What is OECD CRS?

The OECD Common Reporting Standard (CRS) is the standard for the Automatic Exchange of Information (AEOI) developed by the Organization for Economic Co-Operation and Development (OECD). It is a comprehensive reporting system that draws extensively on the intergovernmental approach which is implemented through FATCA.

What is the main purpose of CRS?

The main purpose of the CRS is to combat the offshore tax evasion and to provide minimum set of standards and framework to increase efficiency and decrease cost associated with exchange of information.

What are the main differences between FATCA and CRS?

- **Governing Authority:** The governing authority for FATCA is the United States, specifically the US Department of Treasury and Internal Revenue Service (IRS). For CRS the governing authority are the 101 separate tax jurisdictions from which 54 are considered early adopters and 47 late adopters.
- **Broader Scope:** FATCA requires a financial institution to identify only US persons; however, with 101 jurisdictions currently committed, CRS requires a much wider scope.
- **Registration:** Financial Institutions under FATCA need to register with the IRS and obtain a Global Intermediary Identification Number (GIIN). With CRS there is no central

registration process. Financial institutions may possibly need to register with local authorities to submit their yearly CRS report.

- **Thresholds:** Under FATCA, individual accounts with balances of \$50,000 or less and entity accounts with balances of \$250,000 or less are excluded from review and reporting, if elected by the Financial Institution. For CRS, a jurisdiction may allow Financial Institutions to exclude from review and reporting, pre-existing Entity Accounts with balances of \$250,000 or less.
- **Withholding:** There is a 30% withholding on Non-Compliant Payees/ intermediaries under FATCA. In CRS there is no withholding.
- **Documentation:** Under FATCA, Forms W-8/W-9 may be used to capture all tax data. Under CRS, U.S tax forms are not acceptable to capture all CRS data (e.g. multiple tax residences, CRS legal entity classification).

What is the main requirement of CRS?

CRS requires Financial Institutions, residents in the Participating Jurisdictions, to implement due diligence procedures to document and identify reportable accounts under CRS as well as to establish reporting processes on the reportable accounts identified.

When would CRS be effective in Cyprus and what does it involve?

Cyprus has signed the Multilateral Competent Authority (MCAA) for CRS and has agreed to be an early adopter. Therefore, the CRS is into effect as of 1 January 2016. It involves the enactment of the enabling legislation, the implementation of new requirements on customers coming on-board, the pre-existing customer due diligence, the entity and product classification, and the governance and reporting.

Does CRS apply to all Financial Institutions in Cyprus?

Yes. CRS applies to all Financial Institutions in Cyprus.

How CRS is applicable for Cyprus?

Cyprus Financial Institutions must identify reportable accounts based on the information collected and report accordingly to the Cyprus tax authority. In turn, the Cyprus tax authority will exchange information with the tax authorities of the Reportable Jurisdictions. It is noted that the Cyprus tax authorities will release the list of reportable jurisdictions before the reporting deadline.

Which jurisdictions have signed a MCAA for CRS?

Currently, 101 jurisdictions have committed to the CRS (<http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>), of which 54 have committed to be early adopters, while 47 have committed to be

late adopters. Additionally, 87 jurisdictions have signed the Multilateral Competent Authority Agreement (MCCA) (<http://www.oecd.org/ctp/exchange-of-tax-information/MCAA-Signatories.pdf>).

Who is within the scope of CRS in Cyprus?

Cyprus as a Reportable Jurisdiction, which has signed the Multilateral Competent Authority Agreement, requires its Financial Institutions to identify reportable accounts based on the information collected (via a Self-Certification) and report them accordingly to the Cyprus tax authority. In turn, the Cyprus tax authority will exchange information with the tax authorities of other Reportable Jurisdictions. Among other reportable information, the Self-Certification information includes the jurisdiction(s) of tax residence and the tax identification number(s). The list of reportable jurisdictions will be released by the Cyprus tax authority.

Which accounts are excluded?

Certain 'Excluded Accounts' are exempt from reporting. These include certain pension accounts, term life insurance contracts, certain tax favoured products or certain low risk accounts.

- 'Excluded Accounts' also include accounts, the balance of which does not exceed \$1,000.
- Dormant accounts can also be Excluded Accounts if the account holder has not initiated a transaction in the past 3 years and has not communicated with the FI in the past 6 years if the balance of the account does not exceed \$5,000.
- 'Excluded Accounts' may vary between Participating Jurisdictions depending on local implementation.

How does CRS affect me?

Any individual identified by a reporting entity in one country as resident for tax purposes in a reportable country (i.e. a country with which the participating country has in effect an AEOI agreement), as well as certain entities resident in that country or certain entities (passive non-financial entities (NFEs)) having individual controlling (reportable) persons will be affected. A person (legal or natural) is considered to have a tax residence in a country if he/she, under the laws of that country, is liable to tax due to domicile, residence, place of management, or any other similar criterion.

What information is reported to the Tax Authorities?

The name, address, TIN(s) and date and place of birth (in the case of an individual), the account balance or if the account was closed during such year/period, the closure of the account; the total gross amount of interest, dividends and other income generated and the total gross proceeds from the sale or redemption of Financial Assets.

What is a TIN?

The term Taxpayer Identification Number (TIN), or similar, is a unique combination of letters or numbers assigned by a jurisdiction to an individual or an entity for tax administration purposes.

What do reportable accounts include?

They include accounts held by one or more Reportable Persons (individual or Entity that is resident in a Reportable Jurisdiction) or by a Passive NFE with one or more Controlling Persons that is a Reportable Person.

What does reportable income include?

It includes all types of investment income (including interest, dividends, income from certain insurance contracts, annuities and similar), as well as account balances and sales proceeds from financial assets that give rise to such income.

Will THE ULTIMA CYPRUS provide the tax authorities with my tax details?

We are required to report your tax details under the legal obligations introduced by countries participating in the CRS.

Will my tax details be reported even if my jurisdiction of tax residency is the same with the country I currently reside in?

CRS requires reporting institutions to establish the tax residency status of all their customers, even if you are a tax resident in the same country as you reside. The information to be reported will be provided in the self-certification form, including details about the financial accounts and products you have with us. Your tax details are required to be reported to the local tax authority under the legal requirements introduced by the CRS. However, typically your details will not be reportable to tax authorities for CRS purposes.

How often will I need to provide this information?

Once a valid self-certification is received, you will only be asked to complete another when you update certain information on your account (change in circumstances) or we believe your reportable status may have changed.

Will THE ULTIMA CYPRUS respect my data privacy?

We will respect your data privacy. We will only disclose your information to the relevant tax authorities if we are legally required to do so.

How the tax residence is defined and what are the rules governing the tax residence?

In certain cases, Account Holders might find themselves in a position where based on the domestic rules of certain jurisdictions, they could be considered tax resident in more than one jurisdiction. In that case, Account Holders may check whether both jurisdictions have a double tax treaty in place, which would attribute the tax residence exclusively to one of the jurisdictions.

Please contact a professional tax advisor or check the OECD website <http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/>) for more information on how to determine your tax residency, as we cannot give tax advice.

What happens if the customer provides incorrect/false information?

If the customer provides false or leaves out data in its self-certification, there is a possibility that the customer will face penalties.

Which jurisdiction's rules should apply to determine an Entity's status?

An Entity's status as a Financial Institution or nonfinancial entity (NFE) should be resolved under the laws of the Participating Jurisdiction in which the Entity is resident. If an Entity is resident in a jurisdiction that has not implemented the CRS, the rules of the jurisdiction in which the account is maintained determine the Entity's status as a Financial Institution or NFE since there are no other rules available.

When determining an Entity's status as an Active or Passive NFE, the rules of the jurisdiction in which the account is maintained determine the Entity's status. However, a jurisdiction in which the account is maintained may permit (e.g. in its domestic implementation guidance) an Entity to determine its status as an active or passive NFE under the rules of the jurisdiction in which the Entity is resident provided that the jurisdiction in which the Entity is resident has implemented the CRS.

What are the requirements in regards to CRS for pre-existing individuals?

CRS generally requires Financial Institutions to identify customers for which the following CRS indicia appear:

- the Account Holder's residence status;
- the Account Holder's residence address and mailing address currently on file with the Reporting Financial Institution;
- the Account Holder's telephone number(s) currently on file, if any, with the Reporting Financial Institution;
- in the case of Financial Accounts other than Depository Accounts, whether there are standing instructions to transfer funds in the account to another account (including an account at another branch of the Reporting Financial Institution or another Financial Institution);
- whether there is a current "in-care-of" address or "hold mail" instruction for the Account Holder; and
- whether there is any power of attorney or signatory authority for the account.

Note: Different methods of review are used based on the value of the account (low value or high value).

Furthermore:

- Collect self-certification forms and documentary evidence to confirm jurisdiction(s) of tax residence.

- Document customers with CRS indicia in a Reportable jurisdiction.
- Report the following information of Reportable Persons to Reportable Jurisdictions:
 - The identity and identification information of the account holder (e.g., name, address, jurisdiction(s) of residence, TIN(s), etc.);
 - Their accounts and account balances;
 - The financial income on these accounts, including gross proceeds.

The first reporting will occur in 2017 for the early adopter jurisdictions and will cover the year 2016.

What are the requirements in regards to CRS for pre-existing entities?

Identify customers for which one of the following CRS indicia appears based on the following:

- Place or incorporation or organisation;
- Address;
- Collect self-certification forms and documentary evidence to confirm jurisdiction(s) of tax residence of entity accounts;
- Document entities with CRS indicia in a Reportable jurisdiction;
- Determine whether the customer is a Passive NFE with one or more controlling persons who are Reportable Persons;
- Collect self-certification forms and documentary evidence to confirm jurisdiction(s) of tax residence of controlling persons of passive non-financial entity accounts;
- Document controlling persons with CRS indicia in a Reportable jurisdiction.
- Report the following information of Reportable Persons to Reportable Jurisdictions:
 - The identity and identification information of the account holder (e.g., name, address, jurisdiction(s) of residence, TIN(s), etc.);
 - Their accounts and account balances;
 - The financial income on these accounts, including gross proceeds.

*For pre-existing entity accounts there is a threshold of 250,000.

What are the reportable requirements for CRS in regards to new Individuals?

- Account Number (flag for undocumented, closed and dormant accounts)
- Jurisdiction(s) of tax residence
- Tax Identification Number (TIN)
- Name
- Address
- Birth Info
- Account balance
- Payments (dividends, interest, gross proceeds/redemptions, other)

What are the reportable requirements for CRS in regards to new Entities and Controlling persons?

- Account Holder Type (Passive NFE with CP(s), CRS reportable person (entity), Passive

NFE that is a CRS reportable person)

- Account Number (flag for undocumented, closed and dormant accounts)
- Jurisdiction(s) of tax residence
- Entity Identification Number (IN)
- Name
- Address
- Account balance
- Payments (dividends, interest, gross proceeds/redemptions, other)

Controlling Persons:

- Jurisdiction(s) of tax residence
- Tax Identification Number (TIN)
- Name
- Address
- Birth Info

Where can I get more information regarding CRS from?

For further information please consult the OECD website at: <http://www.oecd.org/ctp/exchange-of-tax-information/automatic-exchange-financial-account-information-common-reporting-standard.pdf>.

It is noted that THE ULTIMA INVESTMENTS CYPRUS LIMITED, previously BrokerCreditService (Cyprus) Limited is unable to comment on its account holders tax position and in case any assistance is needed it is advisable to consider professional advice if the account holders are not sure about their personal tax circumstances.