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Common Reporting Standard (CRS)

Regulatory changes for the exchange of financial information

Implications for Financial Institutions in the UAE



Overview

Tax evasion is a global issue, therefore to address this challenge the Organisation of Economic Cooperation and Development (OECD) have developed a standard which is commonly referred to as 'Standard for Automatic Exchange of Financial Account Information in Tax Matters', this primarily consists of the Competent Authority Agreement (CAA) and the Common Reporting Standard (CRS).

CRS is based on the concept of the United States (U.S.) Foreign Account Tax Compliance Act (FATCA). This regulation will result in the expansion of cross-border data flow of personal financial information between countries, which will result in greater tax transparency.

CRS adopts a similar model to that adopted by FATCA Intergovernmental Model 1, whereby participating countries will require all financial institutions to report information on each of their account holders. The information collated by financial institutions shall then be passed on by participating countries to the tax authorities of the other participating countries of which the account holder(s) is a tax resident of.

What is CRS?

The purpose of CSR

Tax evasion is a global issue, therefore to curb this concern a common standard model has been designed in the form of CSR. The elements of CSR require all participating countries (which at the time of printing is currently 104 countries) to embed and adopt common standards in respect of its due diligence, legal, operational and reporting of information.

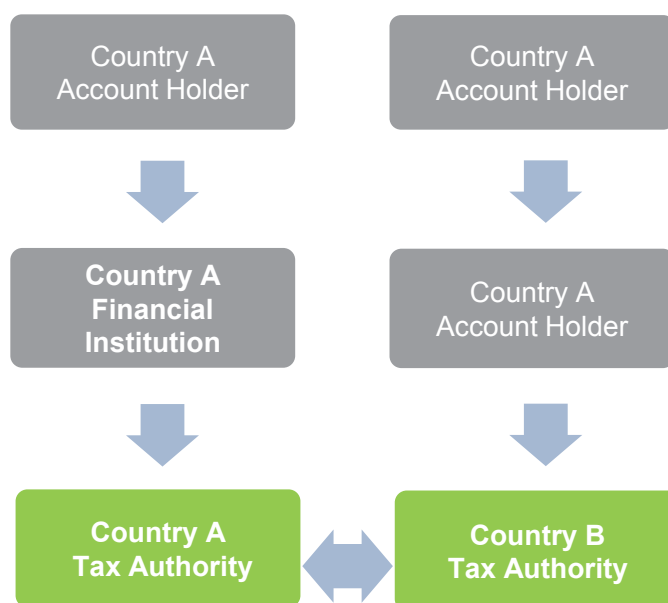
The impact of CSR in the UAE

The UAE Cabinet Resolution Number 9 of 2016, has approved the agreement of Mutual Administrative Assistance in Tax Matters (MAC) and the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA).

CRS has a profound effect for the entire banking industry and other Financial Institutions. Whilst the degree of impact varies depending on size, global footprint, and operating sectors, many of the compliance concerns are consistent.

An implementation timeline exists, as outlined overleaf, however we urge institutions to initiate the change programme imminently, particularly given the time and effort required in respect of customer classification.

The illustration below displays the flow of information between the countries:

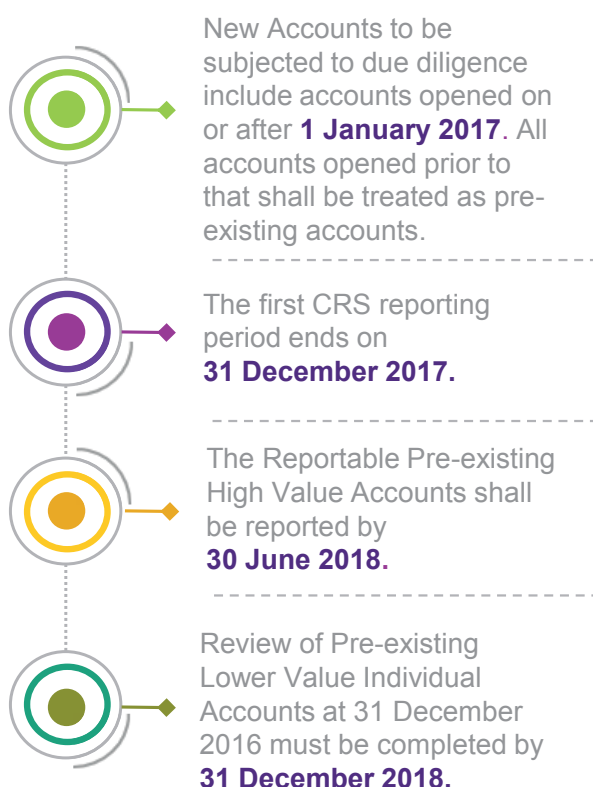


The first exchange of information by the UAE Competent Authority to the Reportable jurisdictions will occur on or after 30 September 2018.



The first reporting due date for the CRS in the UAE is 30 June 2018 and consequently by 30 June of the year following each reporting date.

Timeline



Implications for Financial Institutions

Collating and Reporting Information:

Financial Institutions are required to identify the residential status of account holders for tax purposes. This requirement is more complex than it seems, as each country may have a different set of criteria to establish residential status of a person (individual or corporate). Therefore, financial institutions will be required to collect and record large data sets to identify current residential status, multiple tax residencies, dual nationalities, place of birth and identification of controlling persons of corporate account holders who are resident in CRS countries, thus resulting in a significant investment of time and cost.

Communication with tax authority:

Financial institutions will need to keep abreast with tax regulations of member countries and manage relationships with government and tax authorities. This will require a dedicated department or team to coordinate, liaise and respond to queries raised by government or tax authorities.

Impact on IT Systems:

Financial Institutions will be required to modify and update their IT systems to handle multiple tax residencies and capture associated country specific tax identifiers for reporting purposes.

Training and Communication:

Training of client representatives, compliance, risk management and other relevant members of financial institutions will be required on an immediate as well as on an on-going basis.

What Financial Institutions Need To Do

Reporting Financial Institutions are advised to engage in due diligence procedures to identify reportable accounts held by:

1 Residents of a reportable country; or (b) certain passive entities that have controlling persons (as defined for Anti-Money Laundering/Know your client purposes) that are resident in a reportable country.

2 Report those reportable accounts, along with financial information about those accounts to their local tax authorities, for

Gather Data

Identify
Accounts

Report to
Authority



How can Grant Thornton support your CRS Implementation needs?

CRS is a comprehensive regulation which must be implemented in accordance with the requirements of the UAE and OECD Guidelines. Grant Thornton has a wealth of experience and insight in implementing CRS and providing support for financial institutions.

The Grant Thornton team can work with you to determine the CRS status of your institution and assist you to comply with the CRS requirements. This may require a review and analysis of your accounting systems ability to capture the relevant information as well as improving processes and procedures to ensure you are fully compliant. Our team has worked with institutions in various countries to develop systems and processes in order to comply and successfully implement FATCA regulations.

Taking into account the deadlines which are in place, we can assist you to gather the relevant information to ensure you are fully compliant with the requirements of CRS whilst supporting you with information on how to report to the relevant authorities.

With a dedicated Information Systems team at Grant Thornton, which is already working with a number of leading Financial Institutions and in collaboration with our technology partner Thomson Reuters, we can assist you in updating your systems according to the requirements of the new regulations. In addition, we can support you with the change management which will be required in order to implement the regulation.



As a global firm providing compliance services Grant Thornton stays at the forefront of CRS developments. Our approach has evolved significantly through our work both regionally and globally. This vast experience has allowed us to calibrate our approach, focusing our effort in priority areas.

We have developed a framework for CRS implementation, which comprises of six steps as outlined.



Contact us

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