



International Tax ADVISORY ■

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Information Exchange Under the OECD's Common Reporting Standard Begins Early in Select Countries

Modeled after the Foreign Account Tax Compliance Act (FATCA) – the U.S.'s information reporting regime for U.S. holders of foreign accounts – the Organisation for Economic Co-Operation and Development (OECD) approved the [Common Reporting Standard \(CRS\)](#) for the automatic reporting of information with input from G-20 leaders as a legal framework to combat the use of foreign bank accounts to evade taxes. The CRS rules require participant jurisdictions to annually collect and exchange information on accountholders from certain financial institutions.

Although the CRS comes fully into effect in 2018, more than [40 countries](#) have agreed to begin exchanging taxpayer information under the CRS by September 30, 2017.

How Does the CRS Work?

The CRS employs a uniform set of reporting standards implemented under the domestic law of each participating jurisdiction, as well as the Multilateral Competent Authority Agreement (Multilateral CAA), which uses existing legal authority (such as existing bilateral tax treaties, multilateral conventions, and tax information exchange agreements) to automatically exchange information under the CRS.

More than 100 countries have agreed to participate in the CRS, including Bermuda, the British Virgin Islands, the Cayman Islands, the Isle of Man, Jersey, and Panama. One notable exception is the U.S., which relies on FATCA for collecting and exchanging information on U.S. persons with foreign accounts. FATCA largely mirrors the CRS through the U.S. government's execution and enforcement of individual intergovernmental agreements (IGAs) with other countries. These IGAs generally require partner jurisdictions to impose certain information reporting and due diligence requirements on their financial institutions to comply with FATCA. The CRS framework draws extensively from FATCA IGAs, borrowing much of the overall structure and defined terms, though the CRS applies in broader fashion as a multilateral framework and relies on domestic enforcement rather than potential withholding for failure to comply (FATCA IGAs are bilateral, and tax withholding is the primary means of enforcement under FATCA).

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What Are the Reporting Requirements?

Under the CRS, financial institutions are required to report foreign accountholders' names, addresses, taxpayer identification numbers, dates and places of birth (for individuals), account numbers, and account balances or values, as well as interest, dividends, other income, and gross proceeds, where applicable, generated by or paid to the accounts. This information is similar to that required under FATCA, but notably, while FATCA requires financial institutions to report information about accounts held by U.S. persons, the CRS applies to accounts held by persons from any reportable foreign jurisdiction.

To aid in facilitating the CRS exchanges that will begin in 2017, on August 24, 2017, the OECD Forum on Tax Administration launched the Common Transmission System (CTS) to securely transmit data under the CRS, BEPS country-by-country reporting, and other international data exchanges organized by the OECD.

The highly standardized approach adopted by the OECD with the CRS was designed to minimize the administrative compliance costs that would be created by adopting different reporting regimes for various jurisdictions. Nevertheless, the CRS provides room for adjustments by individual jurisdictions, which can introduce significant compliance complexities.

How Will the CRS Impact U.S. Taxpayers?

Although the U.S. is not a participant in the CRS, many U.S. multinationals will need to be aware of and comply with the reporting requirements imposed under both FATCA and now the CRS. While the CRS employs standardized reporting approaches, its multilateral scope will require taxpayers with a global footprint to pay careful attention to any particular requirements of participating jurisdictions. In FATCA, the U.S. set in motion a resolute fight against international tax evasion that continues to gain steam globally as additional jurisdictions agree to implement the CRS. U.S. multinationals, by now well aware of FATCA, also need to be prepared for the first wave of CRS exchange and enforcement beginning this year.

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