

TAX ALERT: COMMON REPORTING STANDARD

1. WHAT IS THE COMMON REPORTING STANDARD

The Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Under it, banks and other financial institutions will collect and report to the ATO financial account information on non-residents. The Australian government has undertaken to exchange this information with participating foreign tax authorities of those non-residents.

In return, the ATO will receive financial account information on Australian residents from other countries' tax authorities. This will help ensure that Australian residents with financial accounts in other countries are properly reporting their worldwide income in Australia, complying with Australian tax law and acts as a deterrent to tax evasion.

2. WHO DOES IT APPLY TO?

Financial institutions such as investment trusts and investment companies that invest in Financial Assets are required to report their foreign investors under the CRS.

Financial Asset includes shares, units in unit trusts, note, bonds, debenture, commodity, swap, or any interest (including a futures or forward contract or option) in a security. Financial Asset does not include a non-debt, direct interest in real property.

3. WHAT DO I NEED TO DO IF IT APPLIES?

If CRS applies, the financial institution would need to review existing investors to identify any potentially non-Australian investors including any individual accounts held by non-Australian residents (for tax purposes), accounts held by entities incorporated or resident outside of Australia (subject to exemptions for certain listed companies and financial institutions) and certain Australian entities controlled by non-Australian residents will be reportable to the ATO. **The first reporting date is 31 July 2018 for existing investors on 31 December 2017.**

Due Diligence Procedures

A financial institution is required to undertake due diligence procedures under CRS, including

- a. Obtaining self-certification (of residency status and other information) for pre-existing investors and review these investors for foreign indicia (such as a foreign mailing address) to consider if they are reportable; and
- b. Obtaining self-certification for all new investors.

There are penalties if CRS applies and the financial institution does not implement procedures to collect self-certification and identify foreign investors.

4. I NEED HELP!

Hall Chadwick can assist with advice regarding implementation of CRS for your financial institution, and work with your existing investor administration provider (such as Link Market Services and Boardroom) to ensure CRS compliance.