



Common Reporting Standard ("CRS")

How should the Undocumented accounts be reported

Background to the CRS

The Common Reporting Standard ("CRS") for Automatic Exchange of Information has been developed by the OECD with an intention to tackle tax evasion through the exchange of accounts maintained with financial institutions. The UAE has signed the Convention on Mutual Administrative Assistance in Tax Matters ("Multilateral Convention") the Declaration of Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information ("MCAA") and the Unilateral Declaration in April 2017. Under the MCAA, Reporting Financial Institutions ("RFIs") that maintain Financial Accounts are required to collect and report information on an annual basis related to such accounts which is then exchanged with CRS exchange partner jurisdictions. The collection of account information aims to identify the jurisdiction(s) of tax residence for Account Holders and/or Controlling Persons for the purpose of reporting the required information to CRS exchange partners in these jurisdictions on an annual basis.

Impact of the CRS

Under the CRS, UAE RFIs are required to apply due diligence procedures and collect documentation to identify whether a Financial Account maintained by the UAE RFI is a CRS Reportable Account.

An undocumented accounts is where an RFI maintains a pre-existing individual account for which only a hold-mail or in-care of address in a reportable jurisdiction is captured and no other CRS indicia is captured as part of the electronic indicia search and/or paper record search and the RFI is unable to obtain a self-certification form or documentary evidence from the account holder to establish the account holder's residence for tax.

The RFI must continue to follow the Undocumented Account procedures for high value pre-existing individual accounts until the account ceases to be an Undocumented Account. These procedures include completing a paper record search on an annual basis to and continuing efforts to obtain documentary evidence or a valid CRS self-certification form from the Account Holder and/or Controlling Person to establish the Account Holder/Controlling Person's residence for tax purposes. RFIs must ensure that all Undocumented Accounts are identified and reported on an annual basis.

Reporting

Where an Undocumented Account is identified by an RFI, it should be reported as part of the relevant annual reporting cycle. When reporting Undocumented Accounts, the following instructions must be followed as per the CRS reporting template available on the portal in order to flag an Undocumented Account:

1. TRUE = Undocumented account
2. FALSE = Not an undocumented account

An account is only accepted as an Undocumented Account where the account opening date is before 1 January 2017. An Undocumented Account can only belong to an individual and not to an entity.