



UK Tax Authorities release draft Guidance Notes for Automatic Exchange of Financial Account Information

On 14 September 2015, the UK Tax Authorities (HMRC) released draft Guidance Notes for Automatic Exchange of Financial Account Information (the Guidance), providing guidance on the implementation of the Common Reporting Standard (CRS) for Financial Institutions in the UK.

The release of the Guidance is described as an "informal consultation" accompanied by the statement that: "Where stakeholders have identified critical issues they cannot find the answer to in the Commentary these have been addressed, but [HMRC is] keen to hear about any other issues that should be included." The Guidance itself specifically notes that it is secondary to the OECD's own commentaries on the Common Reporting Standard and its primary purpose is to cover UK specific issues in the implementation of CRS. The primary legislation in the UK is the International Tax Compliance Regulations 2015 (SI 2015/878).

The Guidance covers a number of issues which have been brought to the attention of HMRC by UK Financial Institutions and industry bodies, including:

1. Allowing the wider approach to CRS classification by permitting Financial Institutions (FIs) to ask for all tax residencies at onboarding, or to review information for all countries other than the UK while conducting the pre-existing reviews. HMRC will expect that the reporting to HMRC is solely on reportable persons, requiring the financial institution to filter account holders to identify only those in reportable countries.
2. The expectation that FIs will maintain processes to obtain self-certifications at the time of account opening. The Guidance notes that there may be exceptional circumstances where that is not possible, and a self-certification should be obtained within 90 days or another reasonable period. FIs are not required to close accounts which do not subsequently provide that self-certification but will need to report them as undocumented which could lead to queries from HMRC.

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3. Rules which make it clear that tax identification numbers are not required from UK residents who are not US citizens or resident elsewhere.
4. High level rules for entities with listed shares which are treated as financial accounts. HMRC states that for interests held through Certificateless Registry for Electronic Share Transfer (CREST), due diligence and reporting obligations will sit with CREST members and sponsors. For other interests, HMRC indicates the periodic reviews for new shareholders will be sufficient to comply with the rules.
5. Further details on the notification requirements introduced in the International Tax Compliance Regulations 2015. The notification must be made by 31 January in the calendar year following the first year in which the account is identified as a reportable account. HMRC notes that it continues to consult on the notification requirements related to the UK's ongoing taxpayer disclosure regime.

The final part of the Guidance is a reconciliation back to the original Foreign Account Tax Compliance Act (FATCA) and Crown Dependencies and Overseas Territories (CDOT) Guidance notes issued by HMRC. The Guidance states that to the extent that previous guidance has not been incorporated into the new Guidance notes it remains in effect. For those sections that have been incorporated into the new Guidance, there will be a requirement to confirm whether the new wording changes approaches adopted under FATCA or CDOT, as well as its application to CRS. To read the full Guidance Notes [click here](#).

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