

REPORTING

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) & THE COMMON REPORTING STANDARD (CRS)

CRS and FATCA Reporting pages on DIFC Portal are now open till June 30th, 2020

DIFC Firms are required to complete their annual reporting obligations under the United States (U.S.) Foreign Account Tax Compliance Act (FATCA), if applicable and the Common Reporting Standard (CRS). Certain non-regulated entities may also have such reporting obligations.

Reportable accounts maintained by the following entities are to be identified by conducting prescribed due diligence measures after a thorough understanding of various defined terms.

- | | |
|----------------------------------|----------------------------|
| 1. Specified Insurance Companies | 3. Depository institutions |
| 2. Investment Entities | 4. Custodial institutions |

Foreign Account Tax Compliance Act (FATCA)

FATCA is a U.S. legislation. The intent behind the law is for Foreign Financial Institutions (FFIs), i.e. non-U.S. financial institutions to identify and report U.S. persons that hold assets abroad to the Internal Revenue Service (IRS). Reporting is through DIFC portal as part of implementation of IGA between UAE and the USA.

FATCA classifies foreign entities broadly under two categories-

1. Foreign Financial Institutions (FFIs)
2. Non-Financial Foreign Entities (NFFEs)

A thorough understanding of FATCA definitions, and how to apply them, is critical to meeting reporting obligations.

Common Reporting Standard (CRS)

DIFC Common Reporting Standard Law has come into force with effect from 21st March 2018.

This Law applies to-

- 1.Reporting Financial Institutions
- 2.Any Account Holder of a Reportable Account held with a Reporting Financial Institution

Reporting Financial Institutions include -

- 1.DIFC-registered Entities
- 2.DIFC Branches of non-DIFC entities;
- 3.Non-regulated DIFC firms if they fall under the definition of "Investment Entity"

This Law applies retrospectively to:

- 1.Pre-existing Accounts existing as on 31st December 2016
- 2.New Accounts opened on or after 1st January 2017

Implications ❌ ❌ ❌

Errors or non compliance may have regulatory consequences

FATCA: Non-compliance will be subjected to penalty of full withholding of **30%** on with holdable payment.

CRS: Non-compliance may lead to fines from **USD 7,000 to USD 70,000**.

The Authority may order a Reporting Financial Institution to:

- a) block or suspend transfers or payments to or from any Reportable Accounts relevant to the Account Holder; or
- (b) close any Reportable Accounts held by the Account Holder with the Reporting Financial Institution in the DIFC.

How can we help?

1

FATCA & CRS
Classification of
Entities

2

Due
diligence on
new and pre-
existing
accounts

3

Reporting
assistance

4

Policies
and
Procedures

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42,000+	Total People
800+	Offices
130	Countries
4.4b	US\$ Global Revenue
3.5%	Annual Growth
8th	Eighth largest global accounting network



Source: IAB World Survey 2020, using data from 2019.