

## Common reporting standard: new client on-boarding obligations start 1 July 2017

From 1 July 2017, many Australian financial services (**AFS**) licensees must commence collecting information about the tax residency of clients under the new Common Reporting Standard (**CRS**).

### Who does it apply to?

The new obligations apply to entities including 'Reporting Financial Institutions' (**RFIs**) which will include most responsible entities, trustees of wholesale funds, investment managers, managed discretionary account (**MDA**) operators and investor directed portfolio services (**IDPS**) providers.

### What are the obligations?

The CRS is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents.

Entities to whom the CRS applies will be required to collect information about the tax residency of clients and report this information to the Australian Taxation Office (**ATO**). This information will then be given to foreign tax authorities.

### What do you need to do?

If the CRS applies to your business, you will need to have systems ready to capture data on non-resident client accounts from 1 July 2017. You will need to report the data annually to the ATO. The first reporting date is 30 June 2018.

RFIs will need to collect and report financial account information of foreign tax residents (non-residents). This includes accounts held by a foreign resident and accounts held by an entity controlled by a foreign resident.

### Why has it been introduced?

The reporting obligations arise from Australia's participation in Automatic Exchange of Information (**AEOI**) regimes concerning the automatic exchange of financial account information with foreign jurisdictions.

The regimes are the Foreign Account Tax Compliance Act (**FATCA**), in the case of exchange by Australia with the United States of America, and the CRS, in the case of exchange by Australia with other countries that have implemented the CRS.

### What if you don't comply with the requirements?

There are penalties for financial institutions that do not undertake the required due diligence and reporting, including a new administrative penalty for failure to collect self-certification. This penalty applies if self-certification is not collected by the time the CRS statement is due (31 July after the calendar year end). Existing tax administrative penalties for failing to lodge documents on time, and making false or misleading statements about tax-related matters would also apply to CRS statements.

### For more information

If you would like to know whether the CRS applies to your business and what you need to do to comply, then please contact Chris Mee or Cate Blatch on +61 7 3324 0065 or [email](#).