
INDUSTRY ADVISORY NOTICE

Date: 9 March 2017

AUTOMATIC EXCHANGE OF INFORMATION – MARCH UPDATE

This industry update is applicable to all Isle of Man Financial Institutions, Sponsors and Third Parties and provides important updates in respect of the Common Reporting Standard ('CRS'), the UK Intergovernmental Agreement ('IGA'), Alternative Reporting Regime ('ARR') and the Information Providers' Online Service.

CRS

Amended CRS Regulations

The Income Tax (Common Reporting Standard) (Amendment) Regulations 2017 were approved by Tynwald 21 February 2017 and come into effect from 22 February 2017.

In summary, the amended regulations:-

- clarify the definition of CRS to mean 'the standard for automatic exchange of financial account information **in tax matters and its commentaries** developed by the Organisation for Economic Co-Operation and Development ('the OECD');
- substitute the requirement for Isle of Man Financial Institutions to report to the Assessor in respect of Reportable Accounts (as defined in the CRS) with the requirement to report to the Assessor in respect of **Isle of Man Reportable Accounts** (see below) as defined in the Isle of Man Amended Regulations;
- correct a typographical error in Regulation 5 concerning Passive NFEs; and
- clarify that 'for the purposes of the CRS **the term 'excluded account' means any of the accounts listed in Section VIII, C.17(a)-(f) of the CRS and in the Isle of Man also includes** a dormant account (other than an annuity contract) with a balance that does not exceed US \$1,000'.

CRS Reportable Jurisdictions 2016

Under the Income Tax (Common Reporting Standard) Regulations 2015, Isle of Man Financial Institutions were required to report to the Assessor in respect of accounts held by Reportable Persons, which essentially required reporting in respect of persons resident for tax purposes in a Reportable Jurisdiction.

Section VIII, D.4 of the CRS defines a Reportable Jurisdiction as 'a jurisdiction (i) with which an agreement is in place pursuant to which there is an obligation in place to provide the information specified Section I, and (ii) which is identified in a published list.'

As an early adopter of the CRS, the Isle of Man will make its first exchange of CRS information, with other early adopter jurisdictions with which it has the necessary agreements in place, by **30 September 2017**.

At present, however, the necessary agreements to exchange information with some of those committed to the 2017 timetable are yet to be finalised, which has prevented the Assessor from being able to provide Isle of Man Financial Institutions with a definitive list of Reportable Jurisdictions for the first year of reporting (2016).

As this is a transitional issue, in order to ease the administrative burden on Isle of Man Financial Institutions, the Income Tax (Common Reporting Standard) Regulations 2015 were recently amended (see above) so that the requirement for the necessary international agreement to be in place at the point the Isle of Man's Reportable Jurisdiction list is published is no longer applicable.

The list of 'Isle of Man Reportable Jurisdictions' that Isle of Man Financial Institutions should rely upon for 2016 reporting can be found in **Appendix I** of this update, and will be added to an updated version of the Isle of Man's CRS guidance note, GN53, in due course.

This transitional measure is intended to give Isle of Man Financial Institutions certainty over which accounts they should report to the Assessor by **30 June 2017**, whilst also giving the Isle of Man Government as much time as possible to implement the necessary international agreements to fulfil its commitment to exchanging information under the CRS with as many other committed jurisdictions as possible.

Isle of Man Financial Institutions should be assured, however, that information provided to the Assessor in respect of 'Isle of Man Reportable Accounts' will only be exchanged with another jurisdiction **if** the Isle of Man has the necessary agreement in place and in effect at 30 September 2017.

At the time of the first exchange in September the Assessor will publish a further list, showing those Reportable Jurisdictions with which information will be exchanged.

UK IGA

Transition

In December 2016 the Isle of Man and United Kingdom signed a Competent Authority Agreement agreeing a transition from exchange of information under the UK IGA to the CRS, as previously advised in the [October 2015 Industry Update](#).

Isle of Man Financial Institutions are reminded that all due diligence should have been completed during 2016, in order to identify UK reportable accounts, as per the UK IGA. However, those accounts identified as UK reportable accounts no longer need to be reported on a UK specific report and should instead be included in the Financial Institution's 2016 CRS report to be made to the Assessor no later than **30 June 2017**.

ARR

For Isle of Man Financial Institutions that elected to use the ARR per Annex IV of the UK IGA, the final report under the ARR will be in respect of the tax year 2015/16 (6 April 2015 – 5 April 2016).

Isle of Man Financial Institutions that offered the ARR to their accountholders for 2015/16 should have submitted initial details of those accountholders that elected to use the ARR to the Assessor on the 'ARR Election Template' by 30 June 2016, as illustrated in the example below:-

Annex IV Alternative Reporting Regime - Elections						
Reporting Financial Institution	IOM FI Ltd		Contact Details	Name	Anon	
Reporting Period	2015/16			Telephone		
GIIN	000000.00000.XX.833			Email		
Individual Account Holders						
First Name	Surname	Address	Country	PostCode	Date of Birth	NINO
John	Smith	High Street	UK	AB1 CD2	01/01/19XX	XX000000X

Where the Isle of Man Financial Institution has now verified the accountholder's non-dom status (by receiving a copy of the accountholder's UK tax return, confirming their claim for the remittance basis by 28 February 2017) the Isle of Man Financial Institution should file details of any gross payments and movements, as required, by completing the second tab 'ARR Reporting Template', of the original EXCEL document they submitted last year, no later than **30 June 2017**, as illustrated below:-

Annex IV Alternative Reporting Regime - Reporting																		
Reporting Financial Institution	IOM FI Ltd			Contact Details	Name	Anon												
Reporting Period	2015/16				Telephone													
GIIN	000000.00000.XX.833				Email													
Entity Account Holders				Individual Account Holders							Gross Movements/Payments				Self-Certification Received			
Name	Address	Country	PostCode	Account Number	First Name	Surname	Address	Country	PostCode	Date of Birth	Account Number	NINO	From UK	From Unknown	To UK	To Unknown	Currency	Date
					John	Smith	High Street	UK	AB1 CD2	01/01/19XX	123456	XX000000X	500				1000 GBP	28/2/17

In order to submit the completed file to the Assessor, users will note that the 2015/16 ARR return has been re-opened in the Information Providers' Online Service. When ready to upload the completed template, users should click on the 2015/16 ARR return and delete the original file containing only the initial election details. They should then replace that file with the fully completed template (a file containing both the ARR Election Template and ARR Reporting Template completed tabs).

If an original copy of the EXCEL election submission has not been retained by the Financial Institution please download a copy from your Online Service Document Library **prior** to deleting and uploading the new file.

Isle of Man Financial Institutions are reminded that where an accountholder made an initial election to use the ARR but was **not** able to confirm their non-dom status by **28 February 2017** that accountholder will be subject to full IGA reporting for 2015.

Isle of Man Financial Institutions wishing to submit IGA reports for 2015 in respect of such accountholders should contact the Division so the 2015 return can be re-opened online.

INFORMATION PROVIDERS' ONLINE SERVICE

Availability

Isle of Man Financial Institutions, their Sponsors and any Third Parties enrolled for reporting using the Information Providers' Online Service should note that the service is now available again following a period of essential maintenance.

Users will shortly receive secure messages confirming that they can commence filing FATCA and CRS returns, and should do so no later than **30 June 2017**.

Although secure messages will not be issued in respect of ARR reporting (see above) the returns are open and users may commence filing immediately.

Please note if you receive a secure message for a reporting type (FATCA or CRS) that is not applicable to your Financial Institution please contact the Income Tax Division immediately to prevent any reminders and/or penalties being issued for failing to file.

Testing

Users wishing to test the validity of their FATCA and/or CRS files can do so by uploading test files to their now open returns, but are reminded that when using the service to test they **must** delete successful test files and **must not** press the submit button at any time other than when the actual report is ready to be sent.

Please note, if the file contains the appropriate 'DocTypeIndic' for a test file (ie. **OECD11 or FATCA11**) the Information Providers' Online Service will return an error in this respect.

Third Party & Trustee Documented Trusts (TDTs) Reporting

The Income Tax (Common Reporting Standard) Regulations 2015 allow Third Parties to report on behalf of Isle of Man Financial Institutions.

Third Parties acting on behalf of multiple Isle of Man Financial Institutions can report in a consolidated manner (akin to how a Sponsor reports for FATCA) if they wish. Trustees, reporting on behalf of multiple Trusts (TDTs) may also submit consolidated reports.

Third Parties and Trustees wishing to submit consolidated reports are reminded that use of the Sponsor section of the schema is prohibited for CRS but reports can contain multiple Reporting Financial Institutions so long as there is only one 'ReportingFI' and 'Reporting Group' in each 'CrsBody' element of the report, as illustrated below:

Fig.1

```
<CRS_OECD>
<MessageSpec>
  <TransmittingCountry>IM</TransmittingCountry>
  <Contact>TCSP Ltd</Contact>
</MessageSpec>
<CrsBody>
  <ReportingFI>
    <Name>Trust A</Name>
  </ReportingFI>
  <ReportingGroup>
    <AccountReport>
      <AccountHolder>
        <Individual>
          </AccountHolder>
        </AccountReport>
      </ReportingGroup>
    </CrsBody>
  <ReportingFI>
    <Name>Trust B</Name>
  </ReportingFI>
  <ReportingGroup>
    <AccountReport>
      <AccountHolder>
        <Individual>
          </AccountHolder>
        </AccountReport>
      </ReportingGroup>
    </CrsBody>
</CRS_OECD>
```

Trustees of TDTs and/or Third Parties can use the optional 'Contact' element to provide their details if they wish

Consolidated reports should only contain one 'Reporting FI' and one 'ReportingGroup' in each 'CrsBody' element

Consolidated reports should only contain one 'Reporting FI' and one 'ReportingGroup' in each 'CrsBody' element

The XML sample text above is for illustrative purposes only, and therefore does not contain all mandatory elements for a valid CRS file

APPENDIX I – ISLE OF MAN REPORTABLE JURISDICTIONS 2016

Anguilla	Gibraltar	Mexico
Argentina	Greece	Montserrat
Barbados	Greenland	Netherlands
Belgium	Guernsey	Niue
Bulgaria	Hungary	Norway
Colombia	Iceland	Poland
Croatia	India	Portugal
Curacao	Ireland	Romania
Cyprus	Italy	San Marino
Czech Republic	Jersey	Seychelles
Denmark	Korea	Slovak Republic
Estonia	Latvia	Slovenia
Faroe Islands	Liechtenstein	South Africa
Finland	Lithuania	Spain
France	Luxembourg	Sweden
Germany	Malta	United Kingdom

NON-RECIPROCAL JURISDICTIONS 2016

Bermuda	British Virgin Islands	Cayman Islands
Turks & Caicos Islands		

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