
INDUSTRY ADVISORY NOTICE

Date: 01 JUNE 2016

AUTOMATIC EXCHANGE OF INFORMATION – JUNE UPDATE

Information Providers' Online Service

In April the Income Tax Division launched its Information Providers' Online Service on <https://services.gov.im/income-tax/>

The service allows Isle of Man Financial Institutions, their Sponsors, Third Parties and Paying Agents to securely upload files to the Assessor in order to meet their international and domestic reporting obligations in respect of the following:-

- US FATCA
- UK IGA
- UK ARR
- EUSD
- Section 78
- Section 78A
- CRS (from 2016)

To use the service you will need to complete a registration form, available at the link shown below:-

<https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/international-agreements/fatca-and-common-reporting-standard/information-providers-reporting-registration-form/>

You will then be assigned an Information Provider's Tax Reference Number and will be sent the necessary security and activation codes to complete your enrolment online.

Any Isle of Man Financial Institutions with US FATCA or UK reports, due **30 June 2016**, are encouraged to register and enrol for the service as soon as possible as the Division cannot guarantee registration forms received after **23 June 2016** will be processed in time to allow filing by the reporting deadline.

FILE SIZE

From 1 June 2016 the file size limit for the Information Providers' Online Service has been increased to **150mb**.

Any Isle of Man Financial Institutions with files exceeding the 150mb limit are encouraged to contact the Division as soon as possible to discuss.

US FATCA – ADDITIONAL VALIDATION

Isle of Man Financial Institutions with reporting obligations in respect of US FATCA are reminded that they are required to submit the information to be exchanged in an XML file in accordance with the prescribed format for exchange set by the United States Internal Revenue Service (the IRS), the FATCA XML v1.1 schema.

A user guide, and the XSD file for the FATCA XML v1.1 schema, can be found on the IRS's website at: <http://www.irs.gov/Businesses/Corporations/FATCA-XML-Schemas-and-Business-Rules-for-Form-8966>.

The Isle of Man, like other jurisdictions, exchanges FATCA data securely with the US using the IRS's International Data Exchange Service (IDES) which is then processed, validated, stored and managed by the International Compliance Management Model (ICMM).

The ICMM imposes a secondary layer of validation on each individual account contained in a file and may identify what are known as 'record level' errors in a submission; further details of these errors can be found in the [IRS's ICMM User Guide](#).

Where record level errors are found a notification will be issued to the Assessor, who has 120 days to ensure that the Isle of Man Financial Institution corrects the errors and resubmits.

In order to minimise the potential need for corrections by Isle of Man Financial Institutions, where possible, the Income Tax Division has now enhanced the validation applied to US FATCA files uploaded through the Information Providers' Online Service as detailed below. At present the service cannot perform all of the additional checks automatically; therefore, for 2016 filings the Income Tax Division will carry out part of the process manually, as explained further below.

Up until Tuesday 31 May 2016 the service only validated files against the IRS's schema and did not perform the additional checks outlined below which were released earlier today, Wednesday 1 June 2016.

Any Isle of Man Financial Institution who has used the service to check test files prior to this date is encouraged to retest prior to making their actual submission.

Invalid Characters

FATCA XML documents should conform to recommended XML schema best practices and therefore certain characters are prohibited. If those characters are included in a report it will cause the file to be rejected by the US when the Isle of Man transmits it and will generate an error notification. The tables below detail the non-allowable characters, or combinations of non-allowable characters, for US FATCA XML files:-

Manual		
Character	Description	Entity Reference
- -	Double Dash	n/a
/*	Slash Asterisk	n/a
&#	Ampersand Hash	n/a

Automatic		
Character	Description	Entity Reference
<	Less Than	<
'	Apostrophe *	'
&	Ampersand	&

The characters, or combinations of characters, listed above should not appear within the XML file of the data being submitted and should you need to use any of the inhibited listed characters (with the exception of double dash, slash asterisk and ampersand hash), you should use the 'Entity Reference' instead.

*The use of apostrophe is only restricted when it is used in the 'AddressFree' and 'AddressFixed' elements. The XML example text below illustrates this for an account holder with an apostrophe in his name and address:-

```

<AccountHolder>
  <Individual>
    <ResCountryCode>US</ResCountryCode>
    <TIN issuedBy="US">123456789</TIN>
    <Name>
      <FirstName>John</FirstName>
      <LastName>O'Kelly</LastName>
    <Name>
    <Address>
      <CountryCode>IM</CountryCode>
      <AddressFree>123 The Street, St John's, Isle of Man</AddressFree>

```

IMPORTANT INFORMATION

At present the Information Providers' Online Service is unable to automatically screen for the character combinations detailed in the 'Manual' table shown above but this will be checked by the Income Tax Division after the XML has been submitted online.

If any invalid character combinations are subsequently found you will be asked by the Assessor to make the necessary corrections and resubmit the file ahead of exchange with the US authorities.

MessageSpec

The Message Header (MessageSpec) part of a report identifies the Isle of Man Financial Institution sending the report along with other information such as when it was created, what year it is for and the nature of the report.

The 'TransmittingCountry' and 'ReceivingCountry' elements identify the country from which the report is being sent from and to. Therefore, Isle of Man Financial Institutions must ensure that the elements are completed with the Isle of Man and United States country codes 'IM' and 'US' respectively:-

```

<MessageSpec>
  <TransmittingCountry>IM</TransmittingCountry>
  <ReceivingCountry>US</ReceivingCountry>

```

Unique DocRefIds

From 1 January 2016 the IRS has required the DocRefId element of a report to be completely unique across all Foreign Financial Institutions. In order for the DocRefId to be unique and acceptable it must appear in the following prescribed format set by the US:-

<reporting FI GIIN><period character (.)><unique value across all time for the reporting FI>

The element should contain at least 21 characters whilst the maximum length is 200 characters.

- The first part *<reporting FI GIIN>* is the Isle of Man Financial Institution's GIIN,
- The second part is a period character (.), and
- The third part *<unique value across all time for the reporting FI>* is an identifying value for the referenced record that is unique to the Isle of Man Financial Institution for all time. This therefore should be adaptable each year for each account. The IRS recommends the use of a Globally Unique Identifier (GUID) but it is not required.

Examples

```

<DocRefId>XXXXXX.XXXXX.SL.833.12291cc2-37cb-42a9-ad7406bb5746b60b</DocRefId>
<DocRefId>XXXXXX.XXXXX.ME.833.406abc8a1830490e847890ba3b13a646</DocRefId>
<DocRefId>XXXXXX.XXXXX.ME.833.Client120-2017-1</DocRefId>

```

GIIN

The Global Intermediary Identification Number (GIIN) of a financial institution is assigned by the IRS to each FATCA approved registered entity. The registered GIIN list for US FATCA can be found online at:-

<https://apps.irs.gov/app/fatcaFfiList/flu.jsf>.

GIINs are 19 characters in length, formatted as **XXXXXX.XXXXX.XX.XXX** and never contain the letter O.

An Isle of Man Financial Institution must include the correct GIIN in the ReportingFI, TIN element of their report.

IMPORTANT INFORMATION

The Information Providers' Online Service will not validate the GIIN included in a report but if that GIIN does not match the Isle of Man Financial Institution's registration the US will issue a notification to the Isle of Man, after the data has been exchanged, seeking a correction to the original return.

Further information on GIINs can be found in the IRS's FAQs at the link below:-

<https://www.irs.gov/Businesses/Corporations/FAQsFATCARegistrationSystem#GlobalQ1>

US TIN

The Tax Identification Number (TIN) to be reported for each account holder must be a valid US TIN and can follow one of three prescribed formats:-

- Nine consecutive numerical digits e.g. 123456789
- Nine consecutive numerical digits with two hyphens, one hyphen entered after the third numeric digit and the second hyphen entered after the fifth numeric digit e.g. 123-45-6789
- Nine consecutive numerical digits with one hyphen after the second numeric digit e.g. 12-3456789

A US TIN should never contain any characters other than numerical digits or hyphens.

Unknown US TIN

The Account Holder's US TIN must be provided and there cannot be blank characters in the TIN element.

Under the terms of the Isle of Man/US IGA Isle of Man Financial Institutions have until 1 January 2017 to obtain a valid US TIN from any account holder's who are US Persons.

In the event a valid US TIN is not yet held for an account holder, the TIN should be reported as nine zeros e.g. 000000000.

Where the actual TIN is unknown and the 'default' TIN is used, the account holder's date of birth should be provided.

IMPORTANT INFORMATION

At present the Information Providers' Online Service is unable to automatically screen for a Date of Birth where the TIN element is either missing, or the default has been used, but this will be checked by the Income Tax Division after the XML has been submitted online.

If a missing Date of Birth is subsequently found you will be asked by the Assessor to make the necessary corrections and resubmit the file ahead of exchange with the US authorities.

Multiple Jurisdictions of Residence

If an account holder is tax resident in other non-US jurisdictions there is no requirement under the IGA to provide this information in the US FATCA return. However, should an Isle of Man Financial Institution still wish to include the information the report will not fail validation so long as only the 'ResCountryCode' element is repeated and the TIN element is not.

The XML example text below illustrates this for an account holder who is both a US and Irish tax resident, with an Isle of Man Financial Account:-

```
<AccountHolder>  
  <Individual>  
    <ResCountryCode>US</ResCountryCode>  
    <ResCountryCode>IE</ResCountryCode>  
    <TIN issuedBy="US">123456789</TIN>
```

UK IGA

Isle of Man Financial Institutions with reporting obligations under the UK IGA are reminded that they are required to submit the information to be exchanged in an XML file that meets the prescribed format for exchange set by the IRS, for US FATCA returns – the FATCA XML v1.1 schema.

When preparing a file in the US schema format for UK IGA reporting Isle of Man Financial Institutions should note the following:

MessageSpec

The Message Header (MessageSpec) part of a report identifies the Isle of Man Financial Institution sending the report along with other information such as when it was created, what year it is for and the nature of the report.

The 'TransmittingCountry' and 'ReceivingCountry' elements identify the country from which the report is being sent from and to. Therefore, Isle of Man Financial Institutions must ensure that the elements are completed with the Isle of Man and United Kingdom country codes 'IM' and 'GB' respectively:-

```
<MessageSpec>  
  <TransmittingCountry>IM</TransmittingCountry>  
  <ReceivingCountry>GB</ReceivingCountry>
```

Account Holder Type

When reporting an account maintained for an Entity account holder, Isle of Man Financial Institutions are required to complete the 'AcctHolderType' element.

As Isle of Man Financial Institutions are required to report under the UK IGA using the US schema any reference to 'US' in the 'AcctHolderType' element codes should be substituted for 'UK', disregarding the US references within the descriptions. Therefore, the 'AcctHolderType' codes FATCA102 'Passive NFFE with Substantial US Owners' should be taken to mean 'Passive NFFE with Substantial UK Owners' and FATCA104 'Specified US Person' should be taken to mean 'Specified UK Person'.

Please note, the 'AcctHolderType' codes FATCA103 (Non-Participating FFI) and FATCA105 (Direct Reporting NFFE) are not applicable in respect of UK reporting.

2014 and 2015 Reports

Although both the 2014 and 2015 reports under the UK IGA are due for submission at the same time, 30 June 2016, two **separately** submitted reports are required from Isle of Man Financial Institutions with reporting obligations from 1 January 2014.

The 2014 report should be submitted online for the 2014/15 period and the 2015 report under the 2015/16 period in the 'Return Details' section of the Information Providers' Online Service.

UK ARR

Isle of Man Financial Institutions must provide ARR information to the Assessor in an Excel file using the template that is available on the [FATCA/CRS page](#) of the Division's website. The Excel template consists of two tabs; one on which to make the initial election and the second to provide details of reportable payments and movements. A completed ARR report should also be submitted online, by selection of the UK ARR return type.

TEST FILES

The Income Tax Division would encourage Isle of Man Financial Institutions with reporting obligations for US FATCA and/or the UK IGA to prepare XML test files to ensure that the format of the report is compliant with the relevant schema.

At present the Information Providers' Online Service does not have a dedicated test facility. However, it is anticipated one will be added later this year, ahead of 2016 reporting.

In the interim users should be aware that they can test whether a file would validate against the applicable schema by navigating to an open return for the applicable report type and attaching their test file on the attachments page.

If the test file fails schema validation (or in the case of US reporting the additional validation too – see above) the errors will be displayed to the user on screen.

Test files that pass the relevant validation will successfully attach. Therefore, you must ensure that the test file is immediately deleted and only press submit when the actual file to be submitted is validated and attached.

CRS PARTICIPATING JURISDICTIONS UPDATE

The Assessor's Industry Update of 23 December 2015 published the list of jurisdictions that Isle of Man Financial Institutions should treat as 'Participating Jurisdictions' for the purpose of the CRS.

Since that update a further five jurisdictions have committed to the implementation of automatic exchange of information using the CRS, therefore those jurisdictions (Bahrain, Kuwait, Lebanon, Nauru and Vanuatu) have now been added to the Isle of Man's Participating Jurisdiction list, as shown in the updated table in appendix I of this note.

In practical terms this means that any Isle of Man Financial Institution maintaining a Financial Account for a 'managed' Investment Entity (those falling within the definition in Section VIII, A(6)(b) of the CRS) resident in any one of those jurisdictions will not need to apply the 'look through' provisions that would have required them to treat the entity as a Passive NFE in line with Section VIII, D(8).

GN53, the Isle of Man's CRS guidance note, will be updated to reflect the additional Participating Jurisdictions in due course.

APPENDIX I – UPDATED PARTICIPATING JURISDICTION LIST

Isle of Man Financial Institutions may consider any jurisdiction that has made a commitment to implement the CRS as a Participating Jurisdiction, as listed below:-

Albania	Finland	Montserrat
Andorra	France	Nauru
Anguilla	Germany	Netherlands
Antigua & Barbuda	Ghana	New Zealand
Argentina	Gibraltar	Niue
Aruba	Greece	Norway
Australia	Greenland	Panama
Austria	Grenada	Poland
Bahamas	Guernsey	Portugal
Bahrain	Hong Kong	Qatar
Barbados	Hungary	Romania
Belgium	Iceland	Russia
Belize	India	Saint Kitts & Nevis
Bermuda	Indonesia	Saint Lucia
Brazil	Ireland	Saint Vincent & the Grenadines
British Virgin Islands	Israel	Samoa
Brunei Darussalam	Italy	San Marino
Bulgaria	Japan	Saudi Arabia
Canada	Jersey	Seychelles
Cayman Islands	Korea	Singapore
Chile	Kuwait	Sint Maarten
China	Latvia	Slovak Republic
Colombia	Lebanon	Slovenia
Cook Islands	Liechtenstein	South Africa
Costa Rica	Lithuania	Spain
Croatia	Luxembourg	Sweden
Curacao	Macao	Switzerland
Cyprus	Malaysia	Trinidad & Tobago
Czech Republic	Malta	Turkey
Denmark	Marshall Islands	Turks & Caicos Islands
Dominica	Mauritius	United Arab Emirates
Estonia	Mexico	United Kingdom
Faroe Islands	Monaco	Uruguay
		Vanuatu

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