



**Isle of Man  
Government**

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# The Treasury *Yn Tashtey*

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## **INDUSTRY UPDATE**

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**Date: 15 October 2015**

### **TRANSITION FROM UK IGA - CRS**

The Isle of Man has long been committed to tax transparency and in 2013 signed Intergovernmental Agreements (IGAs) with both the US and UK to improve international tax compliance by automatically exchanging financial account information with those jurisdictions from 2015 and 2016 respectively.

The Isle of Man/UK IGA contained a mutual commitment to continue to enhance the effectiveness of information exchange and transparency with both jurisdictions making a commitment to the development of the Common Reporting Standard (CRS), which was fast becoming the new global standard for automatic exchange of tax information.

In 2014, 51 jurisdictions, including the Isle of Man and UK, signed a multilateral agreement to implement the CRS.

94 jurisdictions have now made a commitment to the implementation of the CRS and as 'early adopters' the Isle of Man, like the UK, will make its first exchange of information in respect of the 2016 calendar year, in September 2017.

As part of its CRS implementation the UK advised the Isle of Man, Crown Dependencies and British Overseas Territories that it wished to transition from automatic exchange under the IGAs to exchange under the CRS.

With the changeover, however, the UK does not wish to forego information for 2016, to be reported in 2017, under the IGA which, under the CRS, would not need to be provided until 2018. In agreeing to the changeover the Isle of Man has agreed that for 2016 the CRS requirements should be supplemented by the provision of information on pre-existing lower value individual accounts and pre-existing entity accounts in respect of UK residents only. This means that the UK can receive information in 2017 without requiring Isle of Man financial institutions to make separate returns under both the UK IGA and the CRS.

Another effect of the changeover arises from the fact that the CRS does not provide for any special arrangements such as the Alternative Reporting Regime (ARR) for Res Non-Doms that was available under the IGA. Accordingly as a result of the adoption of the CRS from 1 January 2016 reporting in respect of all UK accounts will be required in 2017 including all UK non-domiciled account holders. The ARR will therefore be available in respect of 2014 and 2015 only.

It is currently intended that the [International Tax Compliance \(United Kingdom\) Regulations 2014](#), which underpin the operation of the UK IGA, will apply in tandem with the forthcoming [Income Tax \(Common Reporting Standard\) Regulations 2015](#), in respect of UK reportable accounts until the end of the first CRS reporting year and that Guidance will be issued to provide for the changeover. The Guidance will make

it clear that due diligence already undertaken on UK reportable accounts for the purposes of the UK IGA will not need to be repeated for the CRS.

In practical terms this means that Isle of Man Financial Institutions will be required to:-

- Operate the CRS new account opening procedures from 1 January 2016,
- Continue due diligence procedures, to identify UK reportable accounts to the timetable outlined in the UK IGA, meaning that the review of pre-existing entity and lower value individual accounts **must** still be completed by **30 June 2016**, and
- Treat any account identified as UK reportable using the IGA due diligence procedures as a UK reportable account for the purpose of the CRS from **1 January 2016**.

In terms of the report itself:-

- Accounts identified as UK reportable for 2014 and 2015 must be reported to the Assessor no later than **30 June 2016** in the US IRS XML format, and
- Accounts identified as UK reportable for 2016 must be reported to the Assessor no later than **30 June 2017** in the OECDs CRS XML format, along with any other CRS reportable jurisdiction accounts.

The transition will be effective for **all** UK accounts from 1 January 2016, therefore any UK non-domiciled account holders who have made a valid election for the Alternative Reporting Regime (ARR) in respect of 2015 will be reportable under the:-

- ARR for the period 6 April 2015 – 5 April 2016, and
- CRS from 1 January 2016 onward.

**Nicola Guffogg**  
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