



Regulatory Update

3 January 2017

Common Reporting Standard Regulations

Overview

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| Jurisdiction | Singapore |
| Executive Summary | <p>On 8 December 2016, the Inland Revenue Authority of Singapore (“IRAS”) has published the Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016 (“CRS Regulations”). These Regulations implement the OECD’s Standard for Automatic Exchange of Financial Account Information in Tax Matters, commonly referred to as common reporting standard, CRS.</p> <p>Reporting Singapore Financial Institutions (“SGFIs”) must obtain a self-certification with regards to their tax residence from new clients and perform specified due diligence on all their clients, new and existing clients, register with IRAS and report specified information on reportable accounts.</p> <p>The obligations of the Reporting SGFIs apply according to a specified timetable: Self-certifications of new clients must be obtained starting 1 January 2017. First due diligence on existing accounts must be completed by 31 December 2017. SGFIs are to register electronically with IRAS by 31 March 2018. First information – data of all of 2017 – must be provided to IRAS by 31 May 2018.</p> |
| Effective Date | The collection of information will commence on 1 January 2017 and the first CRS reporting must be submitted by 31 May 2018. Subsequently, the first exchange of information will take place on 31 September 2018. |

The New Rules

Common Reporting Standard Regulations 2016

On 8 December 2016, the Inland Revenue Authority of Singapore (“IRAS”) has published the [Income Tax \(International Tax Compliance Agreements\) \(Common Reporting Standard\) Regulations 2016](#) (“CRS Regulations”). These regulations implement the Standard for Automatic Exchange of Financial Account Information in Tax Matters developed and published by the Organisation for Economic Co-operation and Development (“OECD”), commonly referred to as the Common Reporting Standards, CRS.

Reporting financial institutions (“FIs”) who are subject to the reporting and other obligations under the CRS Regulations include Custodian Institutions, Depository Institutions, Investment Entities and Specified Insurance Companies.

- Custodian Institution: Any entity that holds, as a substantial portion (gross income attributable to Financial Assets and related financial services equals or exceeds 20% of entity’s gross income) of its business, Financial



Assets for the account of others. This includes holders of a capital markets services licence (“CMSL”) for custodial services for securities, persons that are exempt from the requirement to hold such a CMSL and licensed trust companies in Singapore;

- Depository Institution: Any entity that accepts deposits in the ordinary course of a banking or similar business. This includes licensed banks, licensed finance companies and a licensed merchant banks in Singapore;
- Investment Entity: Any entity that primarily conducts business in activities such as trading in money market instruments, forex, portfolio management or investing, administering or managing Financial Assets or money on behalf of others. This includes the holder of a CMSL for dealing in securities, trading in futures contracts, leveraged foreign exchange trading, fund management and real estate investment trust, Registered Fund Management Companies, persons exempt from the requirement to hold such a CMSL and licensed trust companies in Singapore;
- Specified Insurance Company: Any insurance company (or holding company of an insurance company) that issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract.

Reportable Accounts include both individual and legal entity accounts (including trusts) as well as look-through requirement to identify the individual(s) with ultimate control over the entity.

Reportable Financial Information includes investment income including interests, dividends and any other sources of income as well as account balances and sale proceeds from financial assets.

Registration

An FI that becomes a Reporting Singaporean FI (“SGFI”) in the year 2017 is required to apply for registration with the IRAS by 31 March 2018. Subsequently, FIs that become a reporting FI after 31 December 2017 should apply for registration with the IRAS by 31 March of the calendar year following the year when it becomes a reporting entity. The application for registration must be submitted electronically and must contain, (a) the name of the reporting FI; (b) the category of the reporting FI; and (c) the name, address, designation and contact information of institution’s point of contact.

Due Diligence on Financial Accounts

Reporting SGFI must make arrangements to establish the residences for a tax purpose for the Account Holder of every Financial Account; even if the Account Holder of the Financial Account is not in a Reportable Jurisdiction. Where the Account Holder is a Passive Non-Financial Entity (“NFE”), the residences for a tax purpose of the controlling person of the passive NFE must be established.

The CRS is based on the residence of the Account Holder instead of citizenship or nationality. The indicia below may be used to determine if the Account Holder is a resident of a Reportable Jurisdiction for a tax purpose.

- Identification of the account holder as a resident of the foreign jurisdiction;
- Current mailing or residence address (including a post office box) in a foreign jurisdiction;
- One or more telephone numbers in a foreign jurisdiction and no telephone number in Singapore;



- Standing instructions (other than with respect to a depository account) to transfer funds to an account maintained in a foreign jurisdiction;
- Currently effective power of attorney or signatory authority granted to a person with an address in a foreign jurisdiction;
- A “hold mail” instruction or “in-care-of” address in a foreign jurisdiction if the SGFI does not have any other address on file for the Account Holder.

The reportable accounts are differentiated into pre-existing vs. new as well as a lower-value (aggregate balance/value less than USD 1,000,000) vs. high value (more than USD 1,000,000) in the case of individual accounts.

- Pre-existing Individual Accounts: For Lower-Value accounts, a permanent residence address test may be done based on documentary evidence or the FI would need to determine the residency according to indicia search. For Higher Value Account, an enhanced due diligence procedure is required, and this includes a paper record search and a knowledge test by the relationship manager.
- New Individual Accounts: The CRS relies on self-certification (and the confirmation of its reasonableness) without a de minimis threshold.
- Pre-existing Entity Accounts: FIs are required to determine (a) whether the entity itself is a Reportable Person, which can generally be done on the basis of available information (AML/KYC procedures) and, if not, a self-certification would be needed; and (b) whether the entity is a passive NFE and, if so, the residency of controlling persons. Pre-existing Entity Accounts below USD 250,000 (or local currency equivalent) are not subject to review.
- New Entity Accounts: The CRS relies on self-certification (and the confirmation of its reasonableness) without a de minimis threshold. Where the entity is a passive NFE, the self-certification must cover the Controlling Persons.

A valid self-certification refers to one that is signed by the Account Holder or the respective Controlling Person indicating the date of the certification. In addition, for each individual as an account holder, the name, address, all residences for a tax purpose and the date of birth. If the account holder is an entity that is not a passive NFE, the NFE’s name, registered address, and all residences for a tax purpose should be included in the self-certification. Specifically, to the non-passive NFE, to indicate if the entity is a FI or NFE and to include a description of the type of FI or NFE. If the account holder is a passive NFE, the self-certification must additionally, include the controlling person’s name, residential address, residences for a tax purpose and the date of birth. In addition, the taxpayer identification number (“TIN”) for any individual or entity should be included in the self-certification, if applicable.

All evidence and records of the Financial Account obtained must be kept in record for a period of 5 years after the closing of the Financial Account. In addition, a record of steps taken for the due diligence performed must be kept for at least 5 years after 31 December of the calendar year. A reporting SGFI should also determine whether the Account Holder or, in case of a passive NFE, a controlling person of a new account is a reportable person as soon as practicable.

General Reporting Requirements

Each Reporting SGFI must report, with respect to each Reportable Account, the following information on an annual basis to IRAS:

- a) the name, address, jurisdiction of residence, TIN and date and place of birth (in the case of an individual) of the Account Holder;
- b) the account number;



- c) the name and identifying number of the reporting FI;
- d) the account balance or value at the end of the relevant calendar year;
- e) in the case of any custodial account, the total gross amount of interest, dividends and other income generated with respect to the asset held in the account, paid or credited to the account during the calendar year; and in the case which the reporting FI acts as an agent (custodian, broker, nominee), for the account holder, the total gross proceeds from the sale or redemption of financial assets paid or credited to the account holder; and
- f) in the case of any depository account, the total gross amount of interest paid or credited to the account during the calendar year.

For the other accounts that are not mentioned in (e) and (f), the total gross amount including the aggregate amount of any redemption payments made to the account holder should be reported. In addition, all currencies must be identified for the reporting information.

Exchange of Information

IRAS automatically exchanges the information received from the SGFIs on an annual basis with the tax authorities with which Singapore has a Competent Authority Agreement in place. This exchange of information is based on the minimum standard set out in the CRS.

Implementation Timeline

The following implementation timeline applies to SGFIs:

- 1 January 2017: New account opening procedures to record tax residence and entity status;
- 31 December 2017: Due diligence procedures for identifying high-value pre-existing individuals accounts to be completed;
- 31 May 2018: Deadline for the first CRS submission;
- 31 September 2018: First exchange of information for new accounts and pre-existing individual high value accounts;
Information about pre-existing individual lower value accounts and entity accounts will either first be exchanged by the end of September 2018 or September 2019 depending on when financial institutions identify them as Reportable Accounts;
- 31 December 2018: Due diligence procedures for identifying lower-value pre-existing individual accounts to be completed.

Please consult the following new rules for details:

- [Income Tax \(International Tax Compliance Agreements\) \(Common Reporting Standard\) Regulations 2016](#)
- [IRAS FAQs on the Common Reporting Standard](#)
- [Standard for Automatic Exchange of Financial Account Information in Tax Matters](#)

For more information or further discussions, please contact Water Dragon Solutions Pte Ltd, the Compliance Practice of Maroon Analytics Pte Ltd.

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