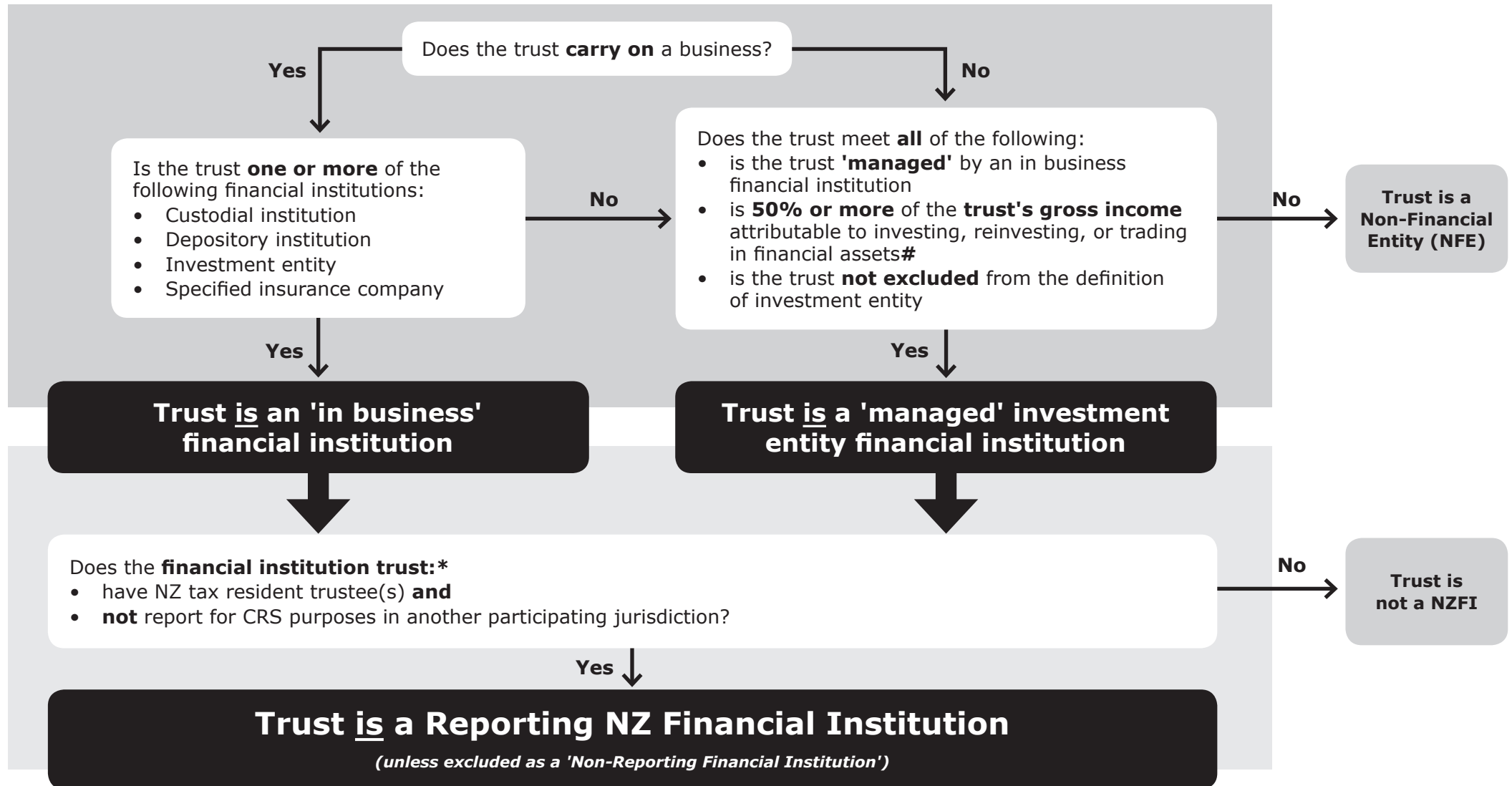


## CRS: Is the Trust a Reporting NZ Financial Institution?



\*CRS "financial institution trust" residency rules apply to those financial institution trusts that are **not** unit trusts. Financial institution unit trusts will be NZ financial institutions **if** they are tax resident in New Zealand (excluding offshore branches) under the **company** tax residency rules set out in the Income Tax Acts.

#The specified period this applies for ie, for the shorter of the:

- three year period ending on 31 March of the period preceding the period in which the determination is made, or
- period during which the entity has been in existence.

<b>Term</b>	<b>General definition</b>	<b>IR Guidance</b>
<b>Financial assets</b>	Generally covers all types of assets that can be held in an account (eg includes shares, units, bonds, swaps and money) other than physical commodities or non-debt direct interests in real property.	3.1.3
<b>Managed by a Financial Institution</b>	The entity (including a trust) allows another Financial Institution (that performs specified investment activities) to have discretionary authority to manage its assets (whether in whole or in part).	3.1.3
<b>Trustee -documented trust</b>	A NZFI trust will be a Non-Reporting NZFI trustee documented trust if it uses a trustee that is a reporting financial institution to fully carry out its CRS obligations. The trustee will report to Inland Revenue on the trust's behalf if the trust has any accounts to report.	3.5
<b>NFE (non-financial entity)</b>	An entity that is not a Financial Institution. NFEs are either 'passive' or 'active'. A passive NFE that holds an account with a Reporting financial institution may be asked by that institution to disclose information about its controlling persons (including whether such persons are relevant foreign tax residents).	1.9, 5.5.2 - 5.5.3, 5.6.2 - 5.6.3, Appendix 4
<b>Active NFE</b>	Special rules apply, but generally is an NFE with less than 50% of passive annual gross income <b>and</b> less than 50% of assets that produce (or could produce) passive income.	1.9, 5.5.2 - 5.5.3, 5.6.2 - 5.6.3, Appendix 4
<b>Passive NFE</b>	For CRS purposes is any: <ul style="list-style-type: none"> <li>• NFE that is not an Active NFE; or</li> <li>• Managed investment entity from a jurisdiction that is not a Participating Jurisdiction.</li> </ul> A Participating Jurisdiction is an overseas jurisdiction that has an agreement with New Zealand under which that jurisdiction will provide Inland Revenue with CRS information.	1.9, 5.5.2 - 5.5.3, 5.6.2 - 5.6.3, Appendix 4
<b>Non-Reporting Financial Institutions (NRFIs)</b>	These are specifically excluded from the CRS. They include governmental entities, international organisations and central banks (and related pension funds); certain retirement funds; qualified credit card issuers; exempt collective investment vehicles; trustee-documented trusts; and low risk entities determined by the Commissioner of Inland Revenue as being NRFIs.	3.4 - 3.6

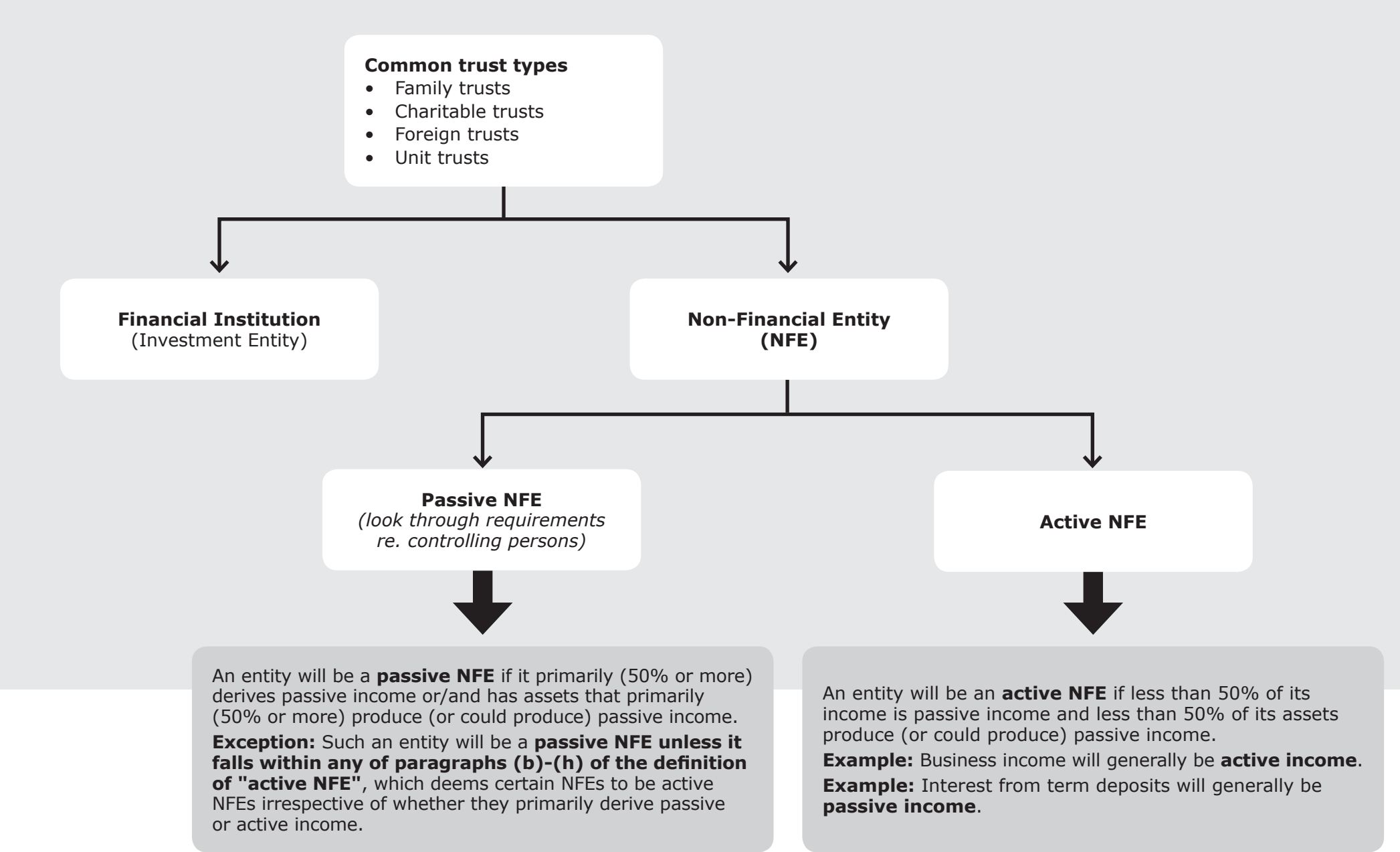
### **Additional information**

- Refer Chapter 6: Treatment of trusts in the CRS, in the OECD's CRS Implementation Handbook
- Refer Section 11: Application of CRS to particular types of entities and structures, Inland Revenue CRS Guidance

### **Disclaimer**

*This information is a high level summary, with some exceptions, to help you understand your obligations under the CRS in New Zealand. It does not constitute a ruling or binding legal advice.*

# CRS: Classification of Trusts



For further detail see sections 1.9, 5.5.2-5.5.3, 5.6.2-5.6.3 and Appendix 4 of the Inland Revenue CRS guidance for more information to determine if the Non-Financial Entity (NFE) is 'Passive' or 'Active'.