IR1048(B)

April 2026

Guidance on the Common Reporting Standard for Automatic Exchange of Information

Disclaimer: This guidance is limited to the Automatic Exchange of Information (AEOI) obligations that entities or other persons have under New Zealand law. It does not cover the obligations that such entities or other persons may have in relation to any other jurisdiction. It should not be used as a substitute for legal, business, accounting, tax or other professional advice.

This guidance will be reviewed by the Organisation for Economic Co-operation and Development (OECD), so is potentially subject to change. Inland Revenue (IR) will update this guidance, if necessary, as a result of this review.

A number of parts of this guidance summarise parts of the Common Reporting Standard (CRS) for AEOI, the CRS commentary,[1] and the related provisions of the Tax Administration Act 1994 (TAA) and are based on guidance set out in the OECD's CRS Implementation Handbook[2] and related information on the OECD's AEOI portal.[3] Inland Revenue will update this guidance, if necessary, if the OECD materials are updated. The reader should refer to the above-mentioned sources for further detail of any obligations they may have.

Dollar values stated in this guidance should be read as referring to either New Zealand dollars or United States dollars according to the election by the relevant Reporting New Zealand financial institution.

This guidance includes the amendments to the CRS effective 1 April 2026. These amendments should be read as applying to the CRS period from 1 April 2026-31 March 2027 and all subsequent periods. These amendments are also summarised at appendix 10. The reader should refer to the previous version of this guidance (IR1048) for guidance about how the CRS applies for the period ended 31 March 2026 and prior periods.

[1] The references in this guidance to the CRS commentary refer to the page references as set out in the document titled "Consolidated text of the Common Reporting Standard (2025)," which includes the amendments to the CRS and CRS commentary (effective in New Zealand as of 1 April 2026).
[2] oecd.org/en/publications/2018/03/standard-for-automatic-exchange-of-financial-information-in-tax-matters-implementation-handbook-second-edition_a52535ec.
[3] oecd.org/tax/automatic-exchange/

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1 Background

1.1 Overview of the Common Reporting Standard for the Automatic Exchange of Information

Globalisation has made it easier for persons to invest outside of their jurisdiction of tax residence. This has provided opportunities for offshore tax evasion. In response, the OECD has developed the CRS for AEOI to provide a global framework for the collection, reporting, and exchange of financial account information about persons that invest outside of their jurisdiction of tax residence. This will assist in detecting and deterring offshore tax evasion.

In broad terms, the CRS requires that Reporting New Zealand financial institutions (Reporting NZFIs) carry out the following steps:

Step One: CRS Due diligence	Reporting NZFIs are required to review their financial accounts to identify accounts held and/or, in certain circumstances, controlled by relevant foreign tax residents, and collect prescribed[4] identity and financial account information about such persons and accounts.
Step Two: CRS Reporting	Reporting NZFIs are required to report this information annually to Inland Revenue if those persons are from reportable jurisdictions. Reporting NZFIs are also required under the CRS to report prescribed information annually to Inland Revenue about certain pre-existing individual accounts that the CRS refers to as being "undocumented accounts" where they have not been able to identify the person's tax residency. An undocumented account can only apply to preexisting individual accounts (accounts opened on or before 30 June 2017)[5] if they meet the applicable criteria, i.e. a "hold mail" instruction or "in-care-of" address in a foreign jurisdiction if the Reporting NZFI does not have any other address on file for the account holder and has not been able to document the account. This is explained in detail at ss 5.3.2 and 5.3.3 of this guidance.

Inland Revenue will then exchange this information related to reportable accounts with the person's jurisdiction(s) of tax residence if New Zealand has an AEOI agreement to provide this information to that jurisdiction or those jurisdictions.

The CRS is accompanied by a commentary (the CRS commentary), which supplements these due diligence and reporting obligations. The OECD has also produced guidance about the practical application of these obligations. This includes a CRS Implementation Handbook and guidance set out in answers to "frequently asked questions". All of the OECD guidance is available on the OECD's website.[6]

The success of the CRS will depend on how effectively and consistently it is implemented around the world. The OECD will rigorously monitor whether implementing jurisdictions such as New Zealand are complying with the CRS. This will occur through the OECD's monitoring agency – the Global Forum on Transparency and Exchange of Information for Tax Purposes. The G20 has stated that it will, if necessary, apply sanctions to address non-compliance by jurisdictions.

The New Zealand Government has implemented the CRS in full accordance with the CRS and the CRS commentary. Therefore, both the CRS and the CRS commentary have been directly incorporated into New Zealand law, subject to certain modifications set out in the TAA.

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[4] This prescribed information is outlined in detail further below at s 6 of this guidance.
[5] For those accounts that became financial accounts solely because of the CRS amendments of 1 April 2026, this applies to accounts opened on or before 31 March 2026.
[6] oecd.org/tax/automatic-exchange.

The CRS builds largely off a similar bilateral framework that applies for due diligence, reporting, and exchanging of financial account information under the Foreign Account Taxation Compliance Act (FATCA) Intergovernmental Agreement (IGA) that New Zealand has entered into with the United States of America. However, as explained further below, a key difference is that the CRS is multilateral.[7]

The CRS has applied in New Zealand from 1 July 2017. Reporting NZFIs have CRS due diligence and reporting obligations as set out above.

Persons that hold, act as intermediaries for, or control financial accounts with such Reporting NZFIs are also required to obtain and provide information to assist the NZFI to carry out their due diligence and reporting obligations.[8] In broad terms, this involves the person providing information about whether they or any of the persons they hold an account for are foreign tax residents.

Currently, over 100 jurisdictions implemented the CRS. These implementing jurisdictions will not necessarily all exchange with each other. For example, some jurisdictions without tax systems may not be interested in receiving AEOI information as they do not face tax evasion concerns. Importantly, the OECD also acknowledges that information should only be provided to jurisdictions that have confidentiality and data safeguards in place that will ensure that exchanged information is only disclosed to authorised persons and is only used for authorised purposes.

Internationally, the OECD has processes in place for reviewing the confidentiality and data safeguards of implementing jurisdictions and for disseminating information on the jurisdictions that have agreed to exchange with each other.

The jurisdictions that New Zealand will provide AEOI information to are known as reportable jurisdictions. The jurisdictions that New Zealand will receive AEOI information from are known as participating jurisdictions. All exchanges of information between jurisdictions will be conducted under, and be subject to the strict terms of, international tax treaties.[9]

The list of reportable jurisdictions and participating jurisdictions can be found at the following link ird.govt.nz/international-tax/exchange-of-information/crs/aeoi-and-crs/jurisdictions-committed-to-the-crs

1.2 Use of information by Inland Revenue

The exchange of financial account information under AEOI will mean that New Zealand will receive better information about New Zealand tax residents' offshore investments. This will assist Inland Revenue in verifying that these persons have paid the correct tax on these offshore investments. This will, in turn, aid in detecting and deterring offshore tax evasion by New Zealand tax residents.

Information collected from Reporting NZFIs under CRS may also be used by Inland Revenue for purposes other than AEOI. This information will only be used by Inland Revenue for matters consistent with its statutory role and obligations. For example, Inland Revenue could potentially use this information to verify that the correct rates have been used for non-resident withholding tax.

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[7] The similarities and differences between CRS and FATCA are summarised at appendix 1.
[8] As explained in detail further below at s 9.2 of this guidance, these obligations on such persons will apply for the purposes of both CRS and FATCA.
[9] The predominant tax treaty to be used for AEOI exchanges will be the joint OECD/Council of Europe Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which New Zealand signed in 2012. Other possible tax treaties that could potentially be used for AEOI exchanges include double tax agreements (DTAs) and tax information exchange agreements (TIEAs).

1.3 Purpose of this guidance

This document is intended to provide operational guidance in the New Zealand context, for financial institutions that are implementing the CRS, and others who may have CRS (and FATCA) obligations. It includes references to specific parts of the CRS, the CRS commentary, and the related OECD CRS Implementation Handbook, and the OECD's answers to "frequently asked questions", that the reader may find useful.

This guidance is intended to be a self-contained document that can be used by a wide range of persons to clarify their CRS obligations. The following roadmap should assist in identifying the part of the guidance that is most relevant to such persons:

Readers that are seeking to clarify whether they are Reporting NZFIs with CRS obligations	Section 3 of the guidance
Readers that know they are Reporting NZFIs, but are seeking to clarify their CRS due diligence obligations	Section 4-5 of the guidance
Readers that know they are Reporting NZFIs, but are seeking to clarify their CRS reporting obligations	Section 6 of the guidance
Readers that hold accounts with Reporting NZFIs or are otherwise connected with such accounts and want to know their CRS and FATCA obligations	Section 9.2 of the guidance[10]
Readers that are seeking to clarify how the CRS applies to fund managers and investment advisers	Sections 3.1.3 and 4.5.1 of the guidance
Readers that are seeking to clarify how the CRS applies to trusts	Sections 11.1 to 11.2 of the guidance
Readers that are seeking to clarify how the CRS applies to partnerships	Section 11.3 of the guidance
Readers that are seeking to clarify how the CRS applies to collective investment vehicles	Section 11.4 of the guidance
Readers that are seeking to clarify how the CRS applies to deceased estates	Section 11.5 of the guidance.

The appendices to the guidance also contain a summary of various matters. This includes a comparison between FATCA and CRS,[11], the options that Reporting NZFIs can take when carrying out CRS due diligence and reporting,[12]and a summary of the amendments to the CRS as of 1 April 2026.[13]

[10] These obligations are also summarised in an Inland Revenue brochure (IR1033) that can be found at ird.govt.nz/forms-guides/number/forms-1000-1099/ir1033-automatic-exchange-of-information
[11] Appendix 1.
[12] Appendix 2.
[13] Appendix 10.

1.4 High level summary of CRS due diligence and reporting obligations

In broad terms, and as set out above, the CRS requires Reporting NZFIs to carry out the following steps:

Step One: Due diligence	Review their financial accounts to identify accounts held and/or, in certain circumstances, controlled by relevant foreign tax residents,[14] and collect prescribed[15] identity and financial account information about such relevant foreign tax residents and accounts. A Reporting NZFI will be required to identify "controlling persons" when they maintain an account that is held by a passive non-financial entity. This is broadly similar to the FACTA due diligence procedures. The due diligence procedures relating to controlling persons are set out at ss 5.5.3 and 5.6.3 of this guidance.
Step Two: Reporting	Report this information annually to Inland Revenue if the persons (i.e. the relevant foreign tax residents identified) are from reportable jurisdictions. Reporting NZFIs are also required to report prescribed information annually to Inland Revenue about certain pre-existing individual accounts that the CRS refers to as being "undocumented accounts" where the NZFI has not been able to identify the person's tax residency. An undocumented account can only apply to preexisting individual accounts (accounts opened on or before 30 June 2017)[16] if they meet the applicable criteria, i.e. a "hold mail" instruction or "in-care-of" address in a foreign jurisdiction if the Reporting NZFI does not have any other address on file for the account holder and has not been able to document the account. The limited circumstances when a Reporting NZFI is required to report an account as an undocumented account are outlined at ss 5.3.2 and 5.3.3 of this guidance.

Inland Revenue will then exchange this[17] information related to reportable accounts with the person's jurisdiction(s) of tax residence if New Zealand has an AEOI agreement to provide this information to that jurisdiction or those jurisdictions.

Reporting NZFIs are able to use service providers[18] to carry out these due diligence and reporting obligations on their behalf. However, the legal obligations will remain with the Reporting NZFI.

1.5 CRS due diligence – incorporating the "wider approach"

A Reporting NZFI's due diligence obligations incorporate what is known as the "wider approach" to due diligence. Under the wider approach to due diligence, Reporting NZFIs will be required to identify any relevant foreign tax resident **irrespective of** whether such persons are from reportable jurisdictions. This is a compliance cost measure to deal with the fact that the number of reportable jurisdictions is likely to increase over time. Therefore, without the wider approach to due diligence Reporting NZFIs would need to redo their due diligence each time a new jurisdiction becomes a reportable jurisdiction.

Reporting NZFIs will be required under the wider approach to due diligence to review their financial accounts to identify accounts held and/or, in certain circumstances, controlled by relevant foreign tax residents, and to collect prescribed identity and financial information about such persons and accounts.

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[14] For these purposes, an entity such as a partnership, limited liability partnership, or similar legal arrangement that has no residence for tax purposes, is required to be treated for CRS purposes as being resident in the jurisdiction in which its place of effective management is situated.
[15] This prescribed information is outlined in detail further below at s 6 of this guidance.
[16] For those accounts that became financial accounts solely because of the CRS amendments of 1 April 2026, this applies to accounts opened on or before 31 March 2026.
[17] However, undocumented account information will not be exchanged.
[18] See p 43 of the "Consolidated text of the Common Reporting Standard (2025)."

Important: The relevant persons in this context cover all foreign tax residents **other than** an entity the stock of which is regularly traded on one or more established securities markets, any entity that is a related entity of an entity the stock of which is regularly traded on one or more established securities markets, a government entity, an international organisation, a central bank, or a financial institution. This guidance will refer to foreign tax residents that are **not** excluded in this way as being "relevant foreign tax residents".

1.6 CRS reporting – reportable accounts and undocumented accounts

Reportable Accounts

In broad terms, Reporting NZFIs will be required to report prescribed[19] identity and financial information annually to Inland Revenue about any account they have identified as being held and/or, in certain circumstances, controlled by a relevant foreign tax resident **if** the person is resident in a reportable jurisdiction – known as "reportable persons." For the purposes of this guidance such accounts will be referred to as being "reportable accounts".

Wider Approach to Reporting

Reporting NZFIs will also have the option of adopting what is known as the "wider approach" to reporting and reporting to Inland Revenue all accounts that they have identified as being held and/or, in certain circumstances, controlled by a relevant foreign tax resident, **irrespective of** whether those persons are resident in reportable jurisdictions. This is a compliance cost measure. This is because a Reporting NZFI that chooses to adopt the wider approach to reporting would be able to report all of the relevant foreign tax residents they have identified without needing to review the list of reportable jurisdictions.

Undocumented Accounts

Reporting NZFIs will also be required to report to Inland Revenue certain pre-existing individual accounts where they have not been able to determine the residency of an account holder. These are known as "undocumented accounts". An undocumented account can only apply to preexisting individual accounts (accounts opened on or before 30 June 2017)[20] if they meet the applicable criteria, i.e. a "hold mail" instruction or "in-care-of" address in a foreign jurisdiction if the Reporting NZFI does not have any other address on file for the account holder and has not been able to document the account. The limited circumstances when a Reporting NZFI is required to report an account as an undocumented account are outlined at ss 5.3.2 and 5.3.3 of this guidance.

Reporting period

New Zealand has adopted a 31 March tax year for CRS due diligence and reporting purposes. For these purposes, any reference in the CRS and the related commentary to calendar year should be read as referring to the relevant period ended 31 March unless the context requires otherwise. In broad terms, Reporting NZFIs have a window from 1 April to 30 June of the year to report to Inland Revenue the prescribed information about their reportable accounts for the period ended 31 March.[21]

Inland Revenue will sort all the information it receives from Reporting NZFIs. It will identify the information for those accounts that are held and/or controlled by relevant foreign tax residents from reportable jurisdictions (known as reportable persons) and will provide the prescribed information about those accounts and persons to those jurisdictions by 30 September of the relevant year. These timeframes for CRS reporting and exchanging are in line with the FATCA timelines.

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[19] See s 6 of this guidance for a summary of this information.
[20] For those accounts that became financial accounts solely because of the CRS amendments of 1 April 2026, this applies to accounts opened on or before 31 March 2026.
[21] The CRS reporting for a particular period will generally only cover accounts identified as reportable by the end of the 31 March reporting period.

Example 1
A Reporting NZFI bank maintains an account held by Tom. The bank carries out due diligence on the account and determines that Tom is tax resident in jurisdiction B. New Zealand has an AEOI exchange relationship to provide financial account information to jurisdiction B (i.e. jurisdiction B is a reportable jurisdiction). Therefore, the account is a held by a reportable person (Tom). The bank will be required to report prescribed information about the account to Inland Revenue in its annual CRS report (i.e. for the period ended 31 March of the relevant year) by 30 June of the relevant year. Inland Revenue will then provide this information to jurisdiction B by 30 September of the relevant year.

Example 2
A Reporting NZFI bank maintains an account held by Daniel. The bank carries out due diligence on the account and determines that Daniel is tax resident in jurisdiction C. New Zealand does not have an AEOI exchange agreement with jurisdiction C. Therefore, although the account is held by a person that is tax resident in a foreign jurisdiction (Daniel), it is not held by a person from a reportable jurisdiction (New Zealand does not have an AEOI exchange agreement to provide information to Daniel's jurisdiction of tax residence – jurisdiction C). This means that, subject to the following, the bank is not required to report this account. However, the bank may choose to adopt the "wider approach" to reporting. If the bank chooses to adopt the wider approach to reporting it would be required to report prescribed information about the account to Inland Revenue in its annual CRS report by 30 June of the relevant year. Information received by the Inland Revenue from a Reporting NZFI adopting the "wider approach" and which relates to a tax resident in a jurisdiction which is not a reportable jurisdiction (such as Daniel), will be retained by the Inland Revenue and not be exchanged under AEOI.

1.7 Meaning of "account holder" and "controlling person" for CRS purposes

As noted above, Reporting NZFIs will need to carry out due diligence on their financial accounts to identify accounts held and/or, in certain circumstances, controlled by relevant foreign tax residents. Reporting NZFIs will then need to report annually to Inland Revenue prescribed identity and financial account information about the reportable accounts they have identified.[22]

There are three important "building blocks" that need to be highlighted at this point in the guidance. The first building block is how to identify who is an "account holder." The second building block is when it is necessary to identify the "controlling persons" of an account holder. The third building block is how to determine who are the "controlling persons" of an account holder.

1.8 Meaning of "account holder" for the purposes of CRS due diligence

As noted above, the CRS requires that Reporting NZFIs carry out due diligence on their financial accounts to identify accounts held and/or, in certain circumstances, controlled by relevant foreign tax residents.

Therefore, a key threshold issue here is what constitutes who "holds" a financial account for CRS purposes. Section VIII(E)(1) of the CRS defines "account holder" as meaning:

> The person listed or identified as the holder of a Financial Account by the Financial Institution that maintains the account.
>
> A person, other than a Financial Institution, holding a Financial Account for the benefit or account of another person as agent, custodian, nominee, signatory, investment advisor, or intermediary, is not treated as holding the account for purposes of the Common Reporting Standard, and such other person is treated as holding the account. In the case of a Cash Value Insurance Contract or an Annuity Contract, the Account Holder is any person entitled to access the Cash Value or change the beneficiary of the contract. If no person can access the Cash Value or change the beneficiary, the Account Holder is any person named as the owner in the contract and any person with a vested entitlement to payment under the terms of the contract. Upon the maturity of a

[22] Reporting NZFIs will also need to report undocumented accounts. The meaning of "undocumented account" is outlined at ss 1.6, 5.2.3 and 5.3.3 of this guidance.

> Cash Value Insurance Contract or an Annuity Contract, each person entitled to receive a payment under the contract is treated as an Account Holder.

The general rule is that a Reporting NZFI should treat a person as an account holder if that person is listed or identified as holding the account, including both persons for joint accounts. In most cases, the application of this general rule will be fairly self-explanatory. However, the CRS commentary also provides some clarification about how the "account holder" definition will apply in the context of estates, trusts and partnerships. For example, the CRS commentary states that:[23]

Trust or estate	If a trust or an estate is listed as the holder or owner of a financial account the trust or the estate is the account holder, rather than its owners or beneficiaries.
Partnership	If a partnership is listed as the holder or owner of a financial account, the partnership is the account holder, rather than the partners of the partnership.

The definition of account holder also contains a **look-through rule** that applies where the account is held by a person (other than a financial institution) as agent, custodian, nominee, signatory, investment advisor, or intermediary **for another person**. In such circumstances, the **other person** that has been "identified" is the relevant account holder.

For the purposes of identifying "who" an account holder is under this look-through rule, a Reporting NZFI is able to rely on the information in their possession including information collected for Anti-Money Laundering/Know Your Customer procedures (AML/KYC procedures) to reasonably determine this point.[24]

Example 1
Reporting NZFI 1 maintains an account listed in Simon's name. Reporting NZFI 1 determines based on the information in its possession that Simon holds account for himself, as opposed to holding the account for the benefit or account of someone else. Reporting NZFI 1 correctly determines that Simon is the account holder.

Example 2
Reporting NZFI 2 maintains an account listed in Tom's name. Tom holds the account as nominee for Bill. Tom informs Reporting NZFI 2 of this nominee relationship when he opens the account. Reporting NZFI 2 applies the "look through rule" in the definition of "account holder" and correctly determines that the account is held by Bill.

[23] See p 116 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[24] See p116 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 3
Reporting NZFI 3 maintains an account held by financial institution 4. Financial institution 4 is a custodial institution that holds fund as custodian for various investors. Reporting NZFI 3 correctly determines that financial institution 4 is the account holder. Reporting NZFI 3 is not required to apply the "look through" rule in the definition of account holder (i.e. they are not required to look through financial institution 4). This is because the person listed as holding the account is a financial institution.

The reason why a Reporting NZFI generally[25] does not need to look through a financial institution account holder (such as financial institution 4) is because that institution will be doing its own due diligence. Therefore, this is a measure that is intended to avoid duplication and minimise compliance costs. Accordingly, under this example Reporting NZFI 3 correctly determines that financial institution 4 is the account holder.

Example 4
Reporting NZFI 4 maintains an account for a trustee of a family trust and correctly determines that the account is held by the trust.

1.9 Identifying "controlling persons" for the purposes of CRS due diligence

As noted above, the CRS also requires that Reporting NZFIs carry out due diligence on their financial accounts to identify certain accounts controlled by relevant foreign tax residents. This extra step (i.e. identifying controlling persons) will apply if the account holder is a type of entity known as a **passive non-financial entity**.

This then raises the question of what types of entities are passive non-financial entities.

There are two types of entities[26] for CRS purposes: financial institutions and non-financial entities (NFEs).

There are, in turn, four categories of financial institutions - custodial institution, depository institution, investment entity, and specified insurance company. The meaning of "financial institution" is outlined in detail further below at s 3.1.

NFEs

If an entity is not a financial institution it will by default be a NFE. There are also two categories of NFEs: active NFEs and passive NFEs. An NFE that is not an active NFE will (by default) be a passive NFE.

The following matters are relevant when determining whether an NFE is a "passive NFE" and, therefore, subject to the above "look-through" rule (i.e. required to identify controlling persons).

Passive NFE – identifying controlling persons

In broad terms, a passive NFE will generally cover an entity that is not a financial institution, and derives predominantly (50% or more) passive income and/or has assets that predominantly produce or are held for the production of passive income. However, there are some exceptions to this. If a registered charity is an NFE it would generally be an active NFE even if it derives predominantly passive income. Furthermore, a managed investment entity (discussed below) that is tax resident in a jurisdiction that is not a participating jurisdiction is deemed to be a passive NFE. The reader should refer to the definitions of NFE, active NFE, and passive NFE in appendix 4 for further detail.

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[25] However, as explained further below at ss 5.5.2 and 5.6.2, a Reporting NZFI will be required to look through a managed investment entity account holder that is tax resident in a jurisdiction that is not a participating jurisdiction to identify that entity's controlling persons. This is because such entities are deemed to be passive non-financial entities, as opposed to financial institutions.

[26] The CRS definition of "entity" is broad and includes legal arrangements such as trusts.

As set out above, if a Reporting NZFI maintains an account that is held by a passive NFE it will need to "look through" that entity to identify its controlling persons (just like for FATCA), so that it can then determine whether any of those persons are relevant foreign tax residents. This then raises the question of who would be a "controlling person."

Controlling persons

The CRS defines "controlling persons" of a passive NFE as meaning the natural persons who exercise control over the NFE, with special rules that apply for trusts (set our further below). The term "controlling persons" must also be interpreted in a manner consistent with the Financial Action Task Force Recommendations.[27] This is broadly in line with FATCA.

In the case of a passive NFE trust, this term means the settlor(s), the trustee(s), the protector(s), the beneficiaries or classes of beneficiaries, and any other natural person exercising ultimate effective control over the trust. Settlors, trustees, protectors, and beneficiaries will be treated as controlling persons of a passive NFE trust **irrespective of** whether they actually exercise control over the trust.[28] In the case of a legal arrangement other than a trust, this term means the persons in equivalent or similar positions.

However, as explained in detail further below:

- there are some special rules that apply and options that can be adopted for identifying discretionary beneficiaries of a passive NFE trust as being controlling persons of the trust, and
- there is **sometimes** scope for a Reporting NZFI to rely on information that they have collected and maintained pursuant to AML/KYC procedures for the purposes of determining controlling persons for CRS purposes.

1.10 Options that a Reporting NZFI can adopt for CRS purposes

The CRS and related commentary also contain a number of "options" that Reporting NZFIs can adopt when carrying out such CRS due diligence procedures. The OECD's CRS implementation handbook, and answers to "frequently asked questions" on its AEOI portal,[29]also build on these options by setting out various procedures that Reporting NZFIs are able to adopt when carrying out their CRS obligations. The purpose of these options is to minimise compliance costs and provide for the practical implementation of the CRS. Reporting NZFIs will **generally** be able to take advantage of any option set out in the CRS and the related commentary. This is permitted under the TAA.

Reporting NZFIs will also be able to adopt procedures endorsed by the OECD including in the CRS implementation handbook and answers to "frequently asked questions" that are consistent with the CRS.

The current exceptions to this general ability to rely on such options are set out below:

[27] See pp 114-116 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[28] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[29] oecd.org/en/topics/international-standards-on-tax-transparency

CRS Requirements	• Reporting NZFIs are **required** to adopt the reporting period ended 31 March. • Reporting NZFIs are **required** to adopt the "wider approach to due diligence".
CRS Options that are not available	• Reporting NZFIs were not able to adopt a transitional approach to the reporting of gross proceeds information (the reporting of gross proceeds information is explained further below in s 6). • Reporting NZFIs are not able to use the average balance or value method for CRS due diligence and reporting. • The CRS definition of qualified non-profit entity (a type of non-reporting financial institution) is **not** able to be adopted.

This guidance sets out further below the various CRS options that Reporting NZFIs will be able to take advantage of. These options are also summarised in appendix 2.

1.11 Ability for a Reporting NZFI to use Anti-Money Laundering/Know Your Customer procedures (AML/KYC) and FATCA procedures

The CRS is related to a number of different regulatory regimes. The CRS due diligence and reporting procedures build largely off a number of key concepts, definitions, procedures, and types of reportable information, from the FATCA IGA. Some of the CRS procedures also leverage off AML/KYC procedures.

Therefore, the CRS does not apply in isolation. This provides opportunities for a degree of alignment between CRS, FATCA, and AML/KYC procedures. This guidance highlights these areas. Appendix 1 also provides a summary of some of the areas where alignment can be achieved between the CRS and FATCA and where alignment is not possible.

Reporting NZFIs will generally be able to design their systems in a way that most efficiently integrates their CRS obligations with the obligations that they have under these other regulatory regimes. For example, the following guidance highlights how these processes can be integrated when "on boarding" a new customer.

Most Reporting NZFIs will not treat AML/KYC, information gathered under New Zealand withholding tax processes, CRS, and FATCA requirements as discrete. Instead, they will be likely to treat these requirements as part of a single process when "on-boarding" new customers. Reporting NZFIs are able to gather this information in a way that is most efficient from an operational point of view. For instance, information on tax residence of an account holder and/or, where applicable, controlling person that is relevant for CRS purposes, and indeed New Zealand withholding tax purposes, will often be gathered in the same "KYC" form as AML information/FATCA information. Reporting NZFIs will need to consider the reasonableness of any CRS self-certification (discussed in detail further below) they receive taking into account all of the information they obtain in connection with the opening of the account. This includes any information/documentation collected pursuant to AML/KYC procedures i.e. "cross-checking" the reasonableness of the CRS self-certification against this other information.

However, to the extent that there are any differences between procedures that must be adopted under the CRS, FATCA and AML, the CRS itself and the related commentary, as implemented in New Zealand, will be the driver of CRS obligations. For example, the CRS sometimes requires Reporting NZFIs to carry out further due diligence, collect additional information, and carry out additional reporting compared to FATCA and AML. This guidance highlights these areas further below.

1.12 Penalties and anti-avoidance

As noted above, the success of the CRS for AEOI as a global standard will depend on how effectively and consistently it is implemented around the world. In this context, the OECD has recognised that the effectiveness of the CRS depends on implementing jurisdictions such as New Zealand having legal and administrative frameworks to monitor compliance and penalise non-compliance.

Therefore, there is a penalty framework designed to penalise CRS non-compliance at various parts of the "information collection chain" including the Reporting NZFI, the account holder and other persons connected with an account. This is to ensure that the correct and complete information is able to effectively flow from such persons to Reporting NZFIs and then to Inland Revenue for exchange.

Section IX(A)(1) of the CRS also requires implementing jurisdictions to supplement their compliance framework with an effective anti-avoidance rule. This should be designed to prevent persons from adopting practices intended to circumvent the CRS due diligence and reporting procedures. Accordingly, the New Zealand CRS implementing legislation includes an anti-avoidance rule that will apply to arrangements entered into by a person with a main purpose of avoiding CRS due diligence and reporting.

The penalties and avoidance framework is set out in detail further below in ss 9 to 10 of this guidance.

2 Roadmap for the following guidance

This guidance will now, having set out some high-level background to the CRS for AEOI, outline some of the key CRS "building blocks" in more detail. The purpose here is to highlight **who** needs to carry out CRS due diligence and reporting, and **what** such due diligence and reporting involves. The guidance will then set out how these principles apply in practice for particular types of entities.

3 Reporting NZFIs for CRS purposes

As noted above, **Reporting NZFIs** have CRS due diligence and reporting obligations. This guidance will now explain when an entity will be a "financial institution", when a financial institution will be a "NZFI", and when a NZFI will be a "Reporting NZFI" that has such due diligence and reporting obligations.

3.1 Types of financial institutions

An "entity" will be a financial institution based on the activities that it carries out or how it is managed. For these purposes, the CRS definition of "entity" covers both legal persons (for example, incorporated companies) and legal arrangements (for example, trusts and partnerships). This means that such legal persons and legal arrangements can, depending on the circumstances, be financial institutions. However, the definition of "entity" does not cover individuals. This means that individuals cannot be financial institutions.

There are four types of financial institutions covered by the CRS - custodial institution, depository institution, investment entity, and specified insurance company. These types of financial institutions are broadly similar to the corresponding FATCA types.

3.1.1 Custodial institution

The first type of financial institution is a custodial institution. A custodial institution is an entity that holds, as a substantial portion of its business, financial assets for the account of others. In this context, a "substantial portion" means at least 20% of the entity's gross income is attributable to holding financial assets and providing related financial services in the shorter of[30] the three year period ending immediately

[30] For the purposes of the following guidance this period will be referred to as the "specified period".

before the reportable period in which its status as a custodial institution is to be determined, or the period in which the entity has been in existence.

The term "financial asset" is generally intended to encompass any asset that may be held in an account. Some examples of assets that would be "financial assets" are shares, bonds, debentures, interests in relevant crypto-assets, and money. However, the term "financial asset" does not include a non-debt direct interest in real property; or a commodity that is a physical good, such as wheat.

The term “relevant crypto-asset” means any crypto-asset that is not a central bank digital currency, a specified electronic money product or any crypto-asset for which the reporting crypto-asset service provider has adequately determined that it cannot be used for payment or investment purposes.

For financial assets issued in the form of a relevant crypto-asset, “safekeeping” is understood to include the safekeeping or administration of instruments enabling control over such assets (for example, private keys), to the extent that the entity has the ability to manage, trade or transfer to third parties the **underlying** financial assets on the user’s behalf. Income attributable to related financial services also includes commissions and fees from holding, transferring and exchanging of relevant crypto-assets held in custody. However, an entity that solely offers storage or security services for private keys to such financial assets, would not be considered a custodial institution.[31]

Income attributable to holding financial assets and providing related financial services includes the following:

- custody, account maintenance and transfer fees,
- commissions and fees earned from executing and pricing securities transactions with respect to financial assets held in custody,
- income earned from extending credit to customers with respect to financial assets held in custody or acquired through such extension of credit,
- income earned on the bid-ask spread of financial assets held in custody,
- fees for providing financial advice with respect to financial assets held or potentially to be held in custody by the entity, and
- fees for providing clearance and settlement services.

Example
Company A carries on a business of holding various financial assets (shares and bonds) as custodian for a unit trust (and performing related financial services for the trust). Company A has derived all of its income from such activities over the specified period. Company A is a custodial institution and, therefore, a financial institution.

[31] See p 83 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

3.1.2 Depository institution

The second type of financial institution is a depository institution. A depository institution is an entity that accepts deposits in the ordinary course of a banking or similar business or that holds specified electronic money products or central bank digital currencies[32] for the benefit of customers.

An entity is considered to be engaged in a banking or similar business if, in the ordinary course of its business with customers, the entity accepts deposits or other similar investments of funds and regularly engages in, or is licensed to engage in, one or more of the following activities:

- makes personal, mortgage, industrial or other loans, or provides other extensions of credit
- purchases, sells, discounts or negotiates accounts receivable, instalment obligations, notes, drafts, cheques, bills of exchange, acceptances or other evidences of indebtedness
- issues letters of credit and negotiates drafts drawn thereunder;
- provides trust or fiduciary services
- finances foreign exchange transactions, or
- enters into, purchases, or disposes of finance leases or leased assets.

However, an entity is not considered to accept deposits in the ordinary course of a banking or similar business – and so would not be a depository institution on the basis - if the entity solely accepts deposits from persons as a collateral or security pursuant to a sale or lease of property or pursuant to a similar financing arrangement between such entity and the person holding the deposit with the entity.[33]

A depository institution will include, for example a registered bank under the Reserve Bank Act 1989, and a non-bank deposit takers supervised by the Reserve Bank, such as credit unions and mutual building societies.

An entity is also considered a depository institution if it holds specified electronic money products or central bank digital currencies for the benefit of customers. In most instances, such entity will be the issuer of the specified electronic money products or central bank digital currencies. For example, fin tech providers of e-money services for the benefit of customers would be depository institutions, **provided that** the products they provide come within the definition of specified electronic money product (as set out below). With respect to specified electronic money products issued in the form of a crypto-asset (i.e. a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions), the depository institution that holds such product will typically be a custodial crypto-asset exchange or wallet provider.

The term specified electronic money product, in turn, covers digital representations of a single fiat currency that:

- are issued on receipt of funds for the purpose of making payment transactions,
- are represented by a claim on the issuer denominated in the same fiat currency,
- are accepted by a natural or legal person other than the issuer, and
- by virtue of regulatory requirements to which the issuer is subject, are redeemable at par for the same fiat currency upon request of the holder of the product. (For this criterion, it will be relevant to consider **how the particular issuer is regulated**).

[32] The term "central bank digital currency" means any digital fiat currency issued by a central bank.
[33] See p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

The following points are relevant to the definition of "specified electronic money product": [34]

Digital representation of a single fiat currency	The product must be a digital representation of a **single** fiat currency. A product will be considered to digitally represent and reflect the value of the fiat currency that it is denominated in. Therefore, a product that reflects the value of multiple currencies or assets is **not** a specified electronic money product. The term "fiat currency", in turn, means the official currency of a jurisdiction, issued by a jurisdiction or by a jurisdiction's designated central bank or monetary authority, as represented by physical banknotes or coins or by money in different digital forms, including bank reserves and central bank digital currencies.
Prepaid product	The product must also be issued on receipt of funds (i.e. a prepaid product) for the purpose of making payment transactions. The act of "issuing" includes the activity of making available pre-paid stored value and means of payment in exchange for funds. Both electronically and magnetically stored products may be "issued". This includes online payment accounts and physical cards using magnetic stripe technology.
Product must be accepted by a third party as a means of payment	The product must also be accepted by a natural or legal person other than the issuer (i.e. a third party) as a means of payment. Therefore, monetary value stored on specific pre-paid instruments, designed to address precise needs that can be used only in a limited way, because they allow the electronic money holder to purchase goods or services only in the premises of the electronic money issuer or within a limited network of service providers under direct commercial agreement with a professional issuer, or because they can be used only to acquire a limited range of goods or services, are **not** specified electronic money products.
Does not include a product created for the sole purpose of facilitating the transfer of funds	The term "specified electronic money product" does **not** include a product created for the sole purpose of facilitating the transfer of funds from a customer to another person pursuant to instructions of the customer. A product is not created for the sole purpose of facilitating the transfer of funds if, in the ordinary course of business of the transferring entity, either the funds connected with such product are held longer than 60 days after receipt of instructions to facilitate the transfer, or, if no instructions are received, the funds connected with such product are held longer than 60 days after receipt of the funds.
Excluded electronic money products	There is also a category of excluded account to take out of scope for CRS purposes certain electronic money products that represent a low-risk in light of the limited monetary value stored, namely specified electronic money products whose rolling average 90-day end-of-day account balance or value does not exceed USD 10,000 in any consecutive 90-day period. Reporting NZFIs are able to treat this threshold as being **NZD** 10,000.

[34] See p 87-88 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

3.1.3 Investment entity

The third type of financial institution is an investment entity. Entities that typically meet this definition would include collective investment vehicles, mutual funds, exchange traded funds, private equity funds, hedge funds, venture capital funds, leveraged buy-out funds or any similar investment vehicle established with an investment strategy of investing, reinvesting or trading in financial assets (referred to above), money (including central bank digital currencies), or relevant crypto-assets (referred to above). For example, this definition would generally capture unit trusts and managed investment schemes.

This list is not exhaustive. Entities such as family trusts may also be investment entities, particularly if the trust's financial assets or relevant crypto-assets are managed by another financial institution. Fund managers and investment advisers will also often be investment entities.

There are two different sets of criteria for determining whether an entity is an investment entity – in business investment entities, and managed investment entities. If an entity meets either of these it will generally be an investment entity. The one exception to this is if the entity is an active NFE because it meets the criteria in subsections D(9)(d) through (g) of s VIII of the CRS. The definition of "active NFE" is set out in full in appendix 4. It is assumed that this exception does not apply for the purposes of the examples set out below.

"Investment Entity" by virtue of primarily conducting an investment business for or on behalf of customers (in business investment entity)

An entity will be an investment entity if it primarily (at least half of its gross income – 50% or more) conducts as a business for or on behalf of customers one or more of a number of specified investment activities. This is different from the corresponding limb of the FATCA definition of investment entity, which does not contain such a "primarily" requirement. However, as explained in the FATCA/CRS comparison chart in appendix 1, the FATCA US Treasury Regulations definition of "investment entity" is in line with the CRS definition of "investment entity". An entity can choose to adopt the US Treasury Regulations definition of "investment entity" for FATCA purposes in order to achieve alignment here.

The specified activities that will bring the entity within the CRS definition of in business investment entity are:

- trading in:
    - money market instruments (cheques, bills, certificates of deposit, derivatives, etc),
    - foreign exchange,
    - exchange, interest rate and index instruments,
    - transferable securities,
    - commodity futures,
- individual and collective portfolio management, and
- otherwise investing, administering or managing financial assets, money, or relevant crypto-assets on behalf of other persons.

For the purposes of this guidance the specified activities set out above will be referred to as being "specified investment activities".

Such activities or operations do **not** include rendering non-binding investment advice to a customer.

The term "investing, administering, or managing" also does **not** comprise the provision of services effectuating exchange transactions for or on behalf of customers.[35] The term “exchange transaction”, in

[35] See p 84 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

turn, means any a) exchange between relevant crypto-assets and fiat currencies; and b) exchange between one or more forms of relevant crypto-assets.

An entity is regarded as "primarily conducting as a business" the above specified investment activities for customers when at least half of its gross income (50% or more) is derived from such specified investment activities in the shorter of the three-year period ending immediately before the reportable period in which its status as an investment entity is to be determined, or the period in which the entity has been in existence. For the purposes of this guidance this period will be referred to as the "specified period". For the purposes of the gross income test, all remuneration for the entity's activities is to be taken into account, **independent of** whether that remuneration is paid directly to the entity to which the test is applied or to another entity.[36]

Example 1
Wide Trust is a New Zealand unit trust that carries on, as its business, collective portfolio management activities for customers. Wide Trust derived 80% of its gross income from such activities over the specified period.

Is the Wide Trust an "in business" investment entity?

Yes. Wide Trust performed specified investment activities (collective portfolio management) for customers over the specified period. Wide Trust also derived its income "primarily" (50% or more) from such activities over that period. Therefore, Wide Trust is an "in business" investment entity financial institution.

Example 2
A fund manager (an entity), among its various business operations, organises and manages a variety of funds, including Fund A, a fund that invests primarily in equities. The fund manager has earned all of its gross income over the specified period from providing such services. The fund manager hires an investment adviser (another entity) to provide advice and discretionary management of a portion of Fund A's financial assets. The investment adviser has earned all of its gross income over the specified period from providing such services.

Is the fund manager an "in business" investment entity?

Yes. The fund manager performed specified investment activities (fund management) for customers over the specified period. The fund manager also derived its income "primarily" (50% or more) from such activities over that period. Therefore, the fund manager is an "in business" investment entity. This means that the fund manager is a financial institution.

Is the investment adviser an "in business" investment entity?

Yes. The investment adviser performed specified investment activities (fund management and related advice) for customers over the specified period. The investment adviser also derived its income "primarily" (50% or more) from such activities over that period. Therefore, the investment adviser is an "in business" investment entity. This means that the investment adviser is a financial institution.

[36] See p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 3
A trust is set up on the advice of a professional firm (for example a law firm or an accounting firm) to their client. That firm's corporate trustee acts as the trustee of the trust.

The trust's income is 50% attributable to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period. The other 50% of the trust's income is attributable to rental from an investment property (a non-financial asset) over the specified period.

The corporate trustee acts for the trust as a business without itself directly charging any fees. However, its related entity (the firm) charges trustee fees for the corporate trustee's services of investing, administering or managing the trust's assets (i.e. investing, administering or managing financial assets) and administering/managing the investment property. The firm receives the trustee fees for matters of administrative convenience. The trustee fees are 50% attributable to investing, administering or managing the trust's financial assets. The other 50% of the trustee fees are attributable to investing, administering, or managing the investment property (a non-financial asset).

Is the corporate trustee a financial institution?

Yes. The trustee fees are primarily attributable (50%) to the trustee's services of investing, administering or managing the trust's financial assets and money over the specified period. Therefore, the trustee is an investment entity financial institution. This is the case **even though** the firm receives the trustee fees (not the trustee) for matters of administrative convenience.

Important: This same answer would apply even if the professional firm set up a bespoke corporate trustee to act as trustee for a single trust (i.e. the corporate trustee would be a financial institution). This view is consistent with the example set out at p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)", which refers to the application of this attribution rule in the context of the appointment of "a corporate trustee" (which could be a bespoke corporate trustee) for a trust that the firm sets up.

Example 4
Collective trust is a collective investment vehicle unit trust that carries on, as its business, collective portfolio management activities for customers. This includes investing in a number of different types of financial assets and relevant crypto assets. Collective trust derives its income 60% from such activities (40% from investing in financial assets and 20% from investing in relevant crypto-assets.)

Is Collective trust an "in business" investment entity?

Yes. Collective trust performed specified investment activities (collective portfolio management) for customers over the specified period. Collective trust also derived its income "primarily" (50% or more) from such activities over that period (and with such activities including the investment in financial assets and relevant crypto-assets). Therefore, Collective trust is an "in business" investment entity financial institution.

"Investment Entity" by virtue of being managed by another financial institution (managed investment entity)

An entity will be a managed investment entity if it derives its income "primarily" (at least half of its gross income – 50% or more) over the specified period from investing, reinvesting or trading in financial assets or relevant crypto-assets, **and** it is managed by another financial institution (other than[37] a managed investment entity).

This is different from the corresponding limb of the FATCA IGA definition of "investment entity", which does not contain a "primarily" requirement for the portion of the entity's income from financial assets (50% or more) and where the relevant "manager" needs to be an investment entity. However, as explained in the FATCA/CRS comparison chart in appendix 1, the FATCA US Treasury Regulations definition of "investment entity" is in line with the CRS definition. An entity can choose to adopt the US Treasury Regulations definition for FATCA purposes to achieve alignment.

Meaning of "financial asset"

As set out above, the term "financial asset" is generally intended to encompass any asset that may be held in an account. Some examples of assets that would be "financial assets" are shares, bonds, debentures, interests in relevant crypto-assets, and money. However, the term "financial asset" does not include a non-debt direct interest in real property; or a commodity that is a physical good, such as wheat.

Meaning of "managed" by a financial institution

An entity will be regarded as "managed" by another financial institution that performs specified investment activities for it where that other financial institution has discretionary authority to manage the entity's assets either in whole or in part. A financial institution trustee[38] will generally manage a trust.

An entity may also outsource management of its assets either in whole or part. For example, where a trustee of a trust sets the parameters within which a financial institution fund manager can invest some or all of the trust's assets but gives the fund manager full discretion to invest within those parameters, the trust's assets will be managed by the fund manager. However, where the trustee retains full control over the investment decisions and the financial institution fund manager simply acts on instruction from the trustee without discretion, then the assets will not be managed by the fund manager.

Furthermore, if a financial institution merely provides advice to an entity, this will not be sufficient by itself to mean that the financial institution manages the entity. It is the discretionary authority to manage the entity's assets either in whole or in part that is crucial.

An entity may be managed by a mix of other entities and individuals. If any of the persons involved in the management of the entity is a financial institution the entity will be regarded as managed by that financial institution. The residence of the financial institution manager is not relevant in this case. This part of the definition of "managed investment entity" simply requires that the manager is a financial institution (i.e. it does not specify where that institution needs to be resident).

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[37] It is assumed that this exception does not apply for the purposes of the examples set out below.

[38] Appendix 9: The Application of the Common Reporting Standard to corporate trustees within a professional group, sets out examples of when a corporate trustee will be a financial institution. See also Item 1 in Part 2 of Schedule 2 of the TAA.

Example 5
A trust set up in New Zealand has the following investments:

- interest-bearing accounts with two different Reporting NZFI banks;
- shares and bonds under discretionary investment with a Reporting NZFI fund manager (a provider of discretionary investment management services – DIMS provider); and
- a rental property.

The trust derived 80% of its income from the accounts, share, and bonds (financial assets) over the specified period. The trust derived the other 20% of its income from the rental property.

Is the trust a "managed" investment entity?

Yes. The trust derives its income primarily (50% or more) from financial assets (the accounts, shares and bonds) over the specified period. The trust's assets are also managed (in part) by a financial institution (the Reporting NZFI fund manager – DIMS provider). Therefore, the trust is a managed investment entity financial institution.

Example 6
Kea Trust has assets that consist of shares and bonds. The trust has two individual trustees, one of which has been empowered to manage the trust's assets. Kea Trust does not outsource any management of financial assets to any financial institution. Kea Trust derives its income primarily from the shares and bonds.

Is the Kea Trust a "managed" investment entity?

No. The Kea Trust is managed by an individual trustee – an individual is not an "entity" under the CRS. It follows that the trustee cannot be a financial institution under the CRS. The trustee also does not outsource any management to any financial institution.
Therefore, the trust is not a managed investment entity.

Application of principles to interests in real property

It is important to understand how these principles apply in the context of direct and indirect interests in real property. If an entity's gross income is primarily attributable to investing, reinvesting or trading in non-debt direct interests in real property, it will not be an investment entity irrespective of whether it is managed. This is because such interests are not financial assets.

Example 7
A family trust holds a direct interest in an investment property, which it lets out to generate rental income. The trust has no other assets. The property is managed by a property management company, which arranges tenants and management of rental income and expenditure.

Is the trust a "managed" investment entity?

No. The trust's income is primarily attributable (50% or more) to investing in a direct interest in real property (not a financial asset). Therefore, the trust is not an investment entity. However, this principle does not apply to indirect interests in real property.

Example 8
A family trust holds shares and units in various property funds. The property funds, in turn, hold interests in real property.
The family trust organises for a financial institution provider of discretionary investment management services to have authority to manage these shares and units. The financial institution has authority to buy and sell shares and units in such property funds, subject to a mandate that they have agreed with the trustee.
The family trust earns all of its income from investing in such shares/units over the specified period (i.e. earning dividends from those investments).

Is the trust a "managed" investment entity?

Yes. The trust's income is primarily attributable to the shares and units (financial assets). The trust is also managed by the financial institution. Therefore, the trust is a managed investment entity financial institution.

On-going nature of the test

It is also important to note that an entity's CRS status may change from year to year if there are changes to the nature of the assets that it holds, how it derives its income, and/or how it is managed.

Example 9
A family trust holds a direct interest in an investment property, which it lets out to generate rental income. The trust has no other assets. The property is managed by a property management company, which arranges tenants and management of rental income and expenditure. As noted above (in example 5), the trust is not an investment entity at that stage.
However, the family trust then chooses to sell its rental properties and obtain a portfolio of financial assets (including shares and bonds). The trust organises for a financial institution provider of discretionary investment management services to have authority to manage these financial assets. The financial institution service provider has authority to buy and sell such assets, subject to a mandate that they have agreed with the trustee. The family trust earns all of its income from such financial assets over the specified period (i.e. earning dividends and interest from such investments).t***Is the trust a "managed" investment entity?***

Yes. The trust's income is primarily attributable to the shares and bonds (financial assets). The trust is also managed by a financial institution. Therefore, the trust is a managed investment entity financial institution.

3.1.4 Specified insurance company

The fourth type of financial institution is a specified insurance company.

3.1.4.1 What is a Specified Insurance Company?

For CRS purposes, an entity that is an insurance company (including its holding company) is treated as a "specified insurance company" if it[39] issues investment products that are classified as cash value insurance contracts or annuity contracts, or makes payments under the terms and conditions of these contracts. These types of insurance and annuity contracts usually include an investment component.

In the New Zealand context and the CRS, an "insurance company" is an entity:

- that is regulated as an insurance business under the laws of New Zealand,
- the gross income of which (for example, gross premiums and gross investment income) arising from insurance, reinsurance, and annuity contracts for the immediately preceding period exceeds 50% of total gross income for such period, or
- the aggregate value of the assets of which associated insurance, reinsurance and annuity contracts at any time during the immediately preceding period exceeds 50% of total assets at any time during that period.

An insurance company that only provides general insurance[40] or term life insurance[41] is usually not a specified insurance company. Neither are reinsurance companies that only provide indemnity reinsurance contracts. These companies are treated instead as nonfinancial entities.

Most life insurance companies are generally considered to be specified insurance companies. However, entities that do not issue cash value insurance contracts or annuity contracts, and are not obligated to make payments with respect to them, such as most non-life insurance companies, most holding companies of insurance companies and insurance brokers, are usually not specified insurance companies. An insurance broker entity that sells cash value insurance contracts or annuity contracts on behalf of an insurance company and is part of the payment chain, will not be a specified insurance company unless it is obliged to make payments to the account holder under the terms of these contracts. Additionally, the reserving activities of an insurance company do not, themselves, cause it to become another type of financial institution, such as a custodial institution, a depository institution, or an investment entity.[42]

Two key issues that feed into what comprises a specified insurance company are:

- what constitutes a "cash value insurance contract", and
- what constitutes an "annuity contract".

[39] See CRS s VIII.A(8) definition of "specified insurance company".
[40] General insurance is typically any insurance that is not life insurance (other than term life policies), does not include any investment component, and provides payments for economic loss from particular adverse events. For example: business or commercial, health, home and home contents, income protection, motor vehicle, public liability, travel, etc.
[41] The CRS includes as an excluded account certain term life insurance contracts that meet the conditions specified in CRS s VIII.C(17)(c).
[42] See p 87 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

3.1.4.2 What is a "cash value insurance contract"?

Definition of "Cash Value Insurance Contract"

The term "cash value insurance contract" is defined to mean an insurance contract (other than an indemnity reinsurance contract between two insurance companies) that has a cash value.[43] A cash value insurance contract is an insurance contract where the policyholder is entitled to receive payment on surrender or termination of the contract.

Definition of "Insurance Contract"

The CRS defines the term "insurance contract" as meaning a contract (other than an annuity contract) under which the issuer agrees to pay an amount upon the occurrence of a specified contingency involving mortality, morbidity, accident, liability or property risk.

Definition of "Cash Value"

A "cash value" is the greater of the amount a policy holder is entitled to receive upon surrender of the policy, or the amount the policyholder can borrow under it, but does not include an amount payable:

- solely upon the death of the insured under a life insurance contract,
- as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of an event insured against,
- as a refund of a previously paid premium due to cancellation or termination of the contract, decrease in risk exposure, or arising from the correction of a posting or similar error with regard to the premium for the contract,
- as a policyholder dividend (see below), other than a termination dividend, provided it relates to an insurance contract under which the only benefits payable are for a personal injury or sickness benefit, or other benefit providing indemnification of an economic loss incurred upon the occurrence of an event insured against, or
- as a return of an advance premium or premium deposit for which the premium is paid at least annually if the amount of the advance premium or premium deposit does not exceed the next annual premium payable.

A "policyholder dividend" is any dividend or similar distribution to policyholders in their capacity as such, including:

- an amount paid or credited (including as an increase in benefits) if the amount is not fixed in the contract but rather depends on the experience of the insurance company or the discretion of management,
- a reduction in the premium that, but for the reduction, would have been required to be paid, and
- an experience-rated refund or credit based solely upon the claims experience of the contract or group involved.

A policyholder dividend cannot exceed the premiums previously paid for the contract, less the sum of the cost of insurance and expense changes whether or not actually imposed during the contract's existence and the aggregate amount of any prior dividends paid or credited according to the contract.

A policyholder dividend does not include any amount that is in the nature of interest that is paid or credited to a contract holder to the extent that the amount exceeds the minimum rate of interest required to be credited with respect to contract values under local law.

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[43] CRS s VIII.C(7).

Investment-linked insurance contracts

Investment-linked insurance contracts are treated as cash value insurance contracts for CRS purposes. An "investment-linked insurance contract" means an insurance contract under which benefits, premiums, or the period of coverage is adjusted to reflect the investment return or market value of assets associated with the contract.

Insurance wrapper products

Insurance wrapper products, such as private placement life insurance contracts, are generally considered to be cash value insurance contracts. An "insurance wrapper product" usually includes an insurance contract, the assets of which are:

- held in an account maintained by a financial institution, and
- managed in accordance with a personalised investment strategy or under the control or influence of the policyholder, owner or beneficiary of the contract.

3.1.4.3 What is an "annuity contract"?

The term "annuity contract"[44] is defined in the CRS to mean a contract under which the issuer agrees to make payments for a period of time determined in whole or in part by reference to the life expectancy of one or more individuals.

The term "annuity contract", also includes a contract that is considered to be an annuity contract in accordance with the law, regulation or practice of the jurisdiction in which the contract was issued and under which the issuer agrees to make payments for a term of years.

3.2 Circumstances when a financial institution will be a "New Zealand Financial Institution"

This guidance has set out above the circumstances where an entity will be a financial institution. This then raises the question of when such a financial institution will have a sufficient connection to New Zealand to be a "NZFI".

A financial institution will be a "NZFI" for CRS purposes if **either** it is a New Zealand resident (excluding any branch located outside New Zealand), or it has a New Zealand branch.

The general rule is that a financial institution will be "resident" in New Zealand for CRS purposes and, be a NZFI, if it is tax-resident in New Zealand. However, as explained below, there are special rules that apply for trusts, and for entities other than trusts that do not have a tax residency.

In the case of a financial institution trust, and irrespective of whether it is resident for tax purposes in New Zealand, the trust will generally be "resident" in New Zealand for CRS purposes, and, therefore an NZFI, if it has one or more trustees that are tax-resident in New Zealand. However, the exception to this is if the trust is tax-resident in another participating jurisdiction and reports all the information required to be reported according to the CRS with respect to reportable accounts maintained by the trust to that jurisdiction because it is a tax resident in that jurisdiction. Therefore, this exception will be relevant to some financial institution trusts that have trustees located and report overseas. This special rule that applies to trusts does not apply to unit trusts. Unit trusts are treated as companies for New Zealand tax purposes. Therefore, New Zealand's tax residence rules that apply to companies will determine when a financial institution unit trust is "resident" in New Zealand for CRS purposes. This is broadly in line with the approach that applies for FATCA purposes as set out in appendix 1.

[44] CRS s VIII.C(6).

Where a financial institution other than a trust does not have a tax residence (for example, a financial institution partnership may be treated as fiscally transparent), it will be resident in New Zealand and, therefore, be an NZFI, if:

- it is incorporated under the laws of New Zealand,
- it has its place of management (including effective management) in New Zealand, or
- it is subject to financial supervision in New Zealand.

Where such a financial institution (other than a trust) is resident in two or more participating jurisdictions, the financial institution will be subject to the CRS due diligence and reporting obligations of the jurisdiction in which it maintains the financial accounts.[45]

A NZFI is generally able to adopt these same residency tests for FATCA purposes as well. This point is summarised in the CRS/FATCA comparison chart in appendix 1.

There are also special rules that apply in determining whether a financial institution has a branch in a participating jurisdiction such as New Zealand. In this respect, a "branch" for CRS purposes is a unit, business or office of a financial institution that is treated as a branch under the regulatory regime of a jurisdiction or that is otherwise regulated under the laws of a jurisdiction as separate from other offices, units or branches of the financial institution. A branch includes a unit, business or office of an institution located in a jurisdiction in which the financial institution is resident, and a unit, business or office of a financial institution located in the jurisdiction in which the financial institution is created or organised. All units, businesses or offices of an institution in a single jurisdiction should be treated as a single branch.[46]

3.3 Circumstances when a NZFI will be a "Reporting New Zealand Financial Institution"

A NZFI will be a "Reporting NZFI" **unless** it is a "Non-Reporting NZFI". The following guidance outlines the circumstances when a NZFI will be a Non-Reporting NZFI.

3.4 Circumstances when a NZFI will be a "Non-Reporting New Zealand Financial Institution"

As explained below, the CRS explicitly defines various types of financial institutions as being non-reporting financial institutions (NRFIs). The CRS also provides scope for implementing jurisdictions such as New Zealand to define other types of financial institution as being a NRFI (i.e. NRFI in the context of New Zealand) if certain specified criteria are met. The Commissioner of Inland Revenue will determine what other types of financial institutions are "Non-reporting NZFIs" and publish the determination. CRS determinations are set out on Inland Revenue's website at the following link taxtechnical.ird.govt.nz/search#q=CRS%20determinations&f-ttTypeFacet=Determinations%7CCRS%7CExclusions&numberOfResults=25

This guidance will now set out the types of financial institutions that the CRS specifically defines as being NRFIs, and the criteria that will be used to determine whether any other types of financial institutions should also be treated as NRFIs.

[45] This is assuming that the financial institution is a reporting financial institution.
[46] See p 82 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

3.5 Financial institutions that the CRS defines as being "Non-Reporting Financial Institutions"

Section VIII(B)(1) of the CRS defines a NRFI as meaning any financial institution that comes within any of the following.[47]

Government entity, international organisation or central bank

A governmental entity, international organisation or central bank that will be a NRFI, other than:

- with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a specified insurance company, custodial institution or depository institution, or
- with respect to the activity of maintaining central bank digital currencies for account holders which are not financial institutions, governmental entities, international organisations or central banks,

Broad participation retirement fund, a narrow participation retirement fund, a pension fund of a governmental entity, international organisation or central bank or a qualified credit card issuer

A broad participation retirement fund, a narrow participation retirement fund, a pension fund of a governmental entity, international organisation or central bank or a qualified credit card issuer will also be a NRFI.

Section VIII(B)(5)(a) of the CRS requires that, in order for a financial institution to be able to qualify as a NRFI under the broad participation retirement fund category, the financial institution needs (as one of the criteria) to ensure that it has no single beneficiary with a right to more than 5% of the fund's assets. In case the fund is compartmentalised into sub-funds that are in practice working as separated pension products, including through the segregation of the assets, risks and income attributed to such sub-funds, the test of whether a single beneficiary has a right to more than 5% of the fund's assets is to be applied at the level of each sub-fund.

Trustee Documented Trust

A trust will also be a NRFI **to the extent that** the trustee of the trust is a reporting financial institution and reports all information required to be reported pursuant to s I of the CRS with respect to all reportable accounts of the trust (known as "trustee documented trusts"). This category is likely to be particularly relevant to those NZFI trusts that are managed investment entities, and have financial institution corporate trustees. For example, a NZFI trust may engage a reporting financial institution corporate trustee to carry out such obligations with respect to the trust.

Important: Please note that it is necessary for these purposes to register each trust individually for reporting purposes, with accounts to be reported under the relevant trust.

However, if the trustee of such a trustee-documented trust does not comply with these obligations the trust will, therefore, not be able to benefit from this exclusion and will be a Reporting NZFI. In other words, where a trustee fails to fulfil any of these obligations, the trust will be responsible for completing due diligence or reporting as a Reporting NZFI.

Therefore, essentially, the trust will be reliant on the trustee complying with its obligations on behalf of the trust in order for the trust itself to have complied with the CRS.[48]

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[47] A full list of the requirements that must be satisfied for these entities to be treated as NRFIs is set out in appendix 7. The scope of the various types of NRFI is also explained in more detail at pp 89-96 of the document titled "Consolidated text of the Common Reporting Standard (2025).

[48] These points are explained at p 96 of the document titled "Consolidated text of the Common Reporting Standard (2025).

Exempt Collective Investment Vehicle

An entity will also be a NRFI if it is an exempt collective investment vehicle. The term "exempt collective investment vehicle" means an investment entity that is regulated as a collective investment vehicle, provided that all of the interests in the collective investment vehicle are held by or through individuals or entities that are not reportable persons, except a passive NFE with controlling persons who are reportable persons.

An Investment Entity that is regulated as a collective investment vehicle does not fail to qualify under subsection B(9) as an exempt collective investment vehicle, solely because the collective investment vehicle has issued physical shares in bearer form, **provided that**:.

a. the collective investment vehicle has not issued, and does not issue, any physical shares in bearer form after 30 June 2017;
b. the collective investment vehicle retires all such shares upon surrender;
c. the collective investment vehicle performs the due diligence procedures set forth in ss II through VII and reports any information required to be reported with respect to any such shares when such shares are presented for redemption or other payment; and
d. the collective investment vehicle has in place policies and procedures to ensure that such shares are redeemed or immobilised as soon as possible, and in any event prior to 30 June 2018.

3.6 Financial institutions that implementing jurisdictions can treat as Non-Reporting Financial Institutions (excluded entities)

The CRS also provides in s VIII(B)(1)(c) that a participating jurisdiction such as New Zealand can treat a financial institution as being a NRFI if:

- the financial institution presents a low risk of being used to evade tax,
- the financial institution has substantially similar characteristics to any of the types of institutions described in s VIII(B)(1)(a) or (b),[49]
- the financial institution is defined in domestic law as being a NRFI, and
- defining the financial institution as a NRFI does not frustrate the purposes of the CRS.

These requirements are elaborated on further below.

The expectation is that participating jurisdictions such as New Zealand will make their list of NRFI publicly available and that each jurisdiction will have a single list of NRFIs, as opposed to different lists for different participating jurisdictions. CRS determinations made by the Commissioner of those entities that have already been treated as NRFIs in this way are available from taxtechnical.ird.govt.nz/search#q=CRS%20determinations&f-ttTypeFacet=Determinations%7CCRS%7CExclusions&numberOfResults=25

NZFIs are able to provide submissions to be considered for being treated as Non-reporting NZFIs. These submissions should outline why the NZFI satisfies all of the bullet points outlined above and can be sent via global.aeoi@ird.govt.nz

The CRS commentary provides the following context on how this exemption is intended to apply.[50] This should assist NZFIs that intend to make a submission that they should be treated as Non-reporting NZFIs.

[49] Government entity, international organisation, central bank, broad participation retirement fund, narrow participation retirement fund, pension fund of a government entity (or international organisation or central bank), or a qualified credit card issuer (as set out above).
[50] See pp 94-95 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

3.6.1 The financial institution presents a low risk of being used to evade tax

The first requirement described in subsection B(1)(c) of s VIII of the CRS is that the financial institution presents a low risk of being used to evade tax. Factors that may be considered to determine such a risk are set out as follows:[51]

Low risk factors	Low-risk factors are that the financial institution is subject to regulation, and information reporting by the financial institution to the tax authorities is required.
High risk factors	High risk factors are that the type of financial institution is not subject to AML/KYC Procedures, the type of financial institution is allowed to issue shares in bearer form and is not subject to effective measures implementing the Financial Action Task Force Recommendations with respect to transparency and beneficial ownership of legal persons, and the type of financial institution is promoted as a tax minimisation vehicle.

3.6.2 The financial institution has substantially similar characteristics to any of types of institutions described in section VIII(B)(1)(a) or (b) of the Common Reporting Standard

The second requirement described in subsection B(1)(c) of s VIII of the CRS is that the financial institution has substantially similar characteristics to any of the following types of financial institutions described in subsections B(1)(a) or (b) of s VIII of the CRS:

- a government entity, international organisation, central bank
- a broad participation retirement fund
- a narrow participation retirement fund
- a pension fund of a government entity, international organisation, central bank, or
- a qualified credit card issuer.

This requirement cannot be used solely to eliminate a specific element of a description. Each jurisdiction may evaluate the application of this requirement to a type of financial institution that does not satisfy all the requirements of a particular description listed in subsections B(1)(a) or (b). As part of such evaluation, a jurisdiction such as New Zealand must identify which requirements are satisfied and which are not satisfied, and with respect to the requirements that are not satisfied, must identify the existence of a substitute requirement that provides equivalent assurance that the relevant type of financial institution presents a low-risk of tax evasion.

The CRS commentary sets out as a guideline the following examples to illustrate the points that will be relevant when determining whether a financial institution should be treated as a NRFI under subsection B(1)(c) of s VIII of the CRS.[52] This should assist NZFIs that intend to make a submission that they should be treated as Non-reporting NZFIs.

[51] See p 94 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[52] See p95 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 1
Non-profit organisation: A type of non-profit organisation that is a financial institution does not satisfy all the requirements of any particular description listed in subsections B(1)(a) or (b). This type of non-reporting financial institution cannot be defined in domestic law as a non-reporting financial institution solely because it is a non-profit organisation.

Example 2
Retirement fund also for self-employed individuals: A type of retirement fund that is a Financial Institution satisfies all the requirements listed in subsection B(5). However, under the laws of the jurisdiction in which the fund is established or operates, it is required to also provide benefits to beneficiaries that are self-employed individuals. Because there is an overall substitute requirement that provides equivalent assurance that the fund presents a low-risk of tax evasion, this type of financial institution could be defined in domestic law as a Non-Reporting Financial Institution.

Example 3
Unlimited retirement fund: A type of retirement fund that is a Financial Institution satisfies all the requirements listed in subsection B(6), apart from the one contained in subsection B(6)(c) (i.e. employee and employer contributions are not limited). However, the tax relief associated to the employee and employer contributions is limited by reference to earned income and compensation of the employee, respectively. Because there is a substitute requirement that provides equivalent assurance that the fund presents a low risk of tax evasion, this type of financial institution could be defined in domestic law as a Non-Reporting Financial Institution.

Example 4
Investment vehicle exclusively for retirement funds: A type of investment vehicle that is a Financial Institution is established exclusively to earn income for the benefit of one or more retirement or pension funds described in subsections B(5) through (7), or retirement or pension accounts described in subsection C(17)(a). Because all the income of the vehicle inures to the benefit of Non- Reporting Financial Institutions or excluded accounts, and there is an overall, substitute requirement that provides equivalent assurance that the vehicle presents a low risk of tax evasion, this type of financial institution could be defined in domestic law as a Non- Reporting Financial Institution.

4 What "financial accounts" are subject to CRS due diligence?

This guidance has outlined the key "building blocks" that determine when an entity is a Reporting NZFI. As set out above, Reporting NZFIs need to carry out due diligence on the "financial accounts" they "maintain" to identify accounts held (and/or, in the case of passive NFEs, controlled) by relevant foreign tax residents, collect prescribed information about such persons and accounts, and annually report to Inland Revenue the prescribed identity and financial information about their reportable accounts and undocumented accounts.

This then raises the questions of **what** constitutes a "financial account" and **when** will a Reporting NZFI "maintain" a financial account.

The term "financial account" includes[53]depository accounts, annuity contracts, cash value insurance contracts, custodial accounts, and equity and debt interest in certain financial institutions (generally

[53] This is subject to a number of exclusions that are outlined below.

limited to investment entities). A financial account does not, however, include any account that is an excluded account. These types of financial accounts are elaborated on further below.

A financial account will be "maintained" by a Reporting NZFI in the following circumstances:[54]

Depository account	The account will be maintained by the Reporting NZFI that is obligated to make payments with respect to the account excluding the agent of a Reporting NZFI.
Custodial account	The account will be maintained by the Reporting NZFI that holds custody over the assets in the account. This includes a Reporting NZFI that holds assets in street name (i.e. in the broker's name for an account holder in such institution).
Cash value insurance contract and Annuity contract	The account will be maintained by the Reporting NZFI that is obligated to make payments with respect to the contract.
Equity or Debt interest	In the case of any equity or debt interest in a Reporting NZFI that constitutes a financial account, the account will be maintained by **that** institution.

This guidance now provides more detail about the various types of financial accounts.

4.1 Depository account

A depository account is defined in s C(2) of s VIII of the CRS as including any commercial, cheque, savings, time or thrift account, or an account that is evidenced by a certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness or other similar instrument maintained by a Reporting NZFI depository institution. It also includes an amount held by an insurance company pursuant to a guaranteed investment contract or similar agreement to pay or credit interest thereon.

A depository account also includes an account or notional account that represents all specified electronic money products held for the benefit of a customer,[55] and an account that holds one or more central bank digital currencies for the benefit of a customer.[56]

All specified electronic money products an entity holds for the benefit of a customer are together considered a depository account of that customer. For the purposes of determining the value of such depository account, a Reporting NZFI is required to aggregate the value of all specified electronic money products the account holder holds with the Reporting NZFI. In cases where a specified electronic money product or central bank digital currency has been issued as a crypto-asset, an entity is considered to hold such asset for the benefit of a customer to the extent it safekeeps or administers the instruments enabling control over the asset (for example, private keys) and the entity has the ability to manage, trade or transfer to third parties the underlying asset on behalf of such customer.[57]

There is also a category of excluded account to take out of scope certain electronic money products that represent a low-risk in light of the limited monetary value stored, namely specified electronic money products whose rolling average 90-day end-of-day account balance or value does not exceed USD 10,000 in any consecutive 90-day period.[58] Reporting NZFIs are able to treat this threshold as being **NZD** 10,000**.**

[54] See pp 97-98 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[55] See s VIII(C)(2)(b) of the CRS.
[56] See s VIII(C)(2)(c) of the CRS.
[57] See pp98-99 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[58] See s VIII(C)(17)(ebis) of the CRS.

4.2 Annuity contract

Annuity contracts will generally be financial accounts. An "annuity contract" is defined in subsection C(6) of s VIII of the CRS as meaning a contract under which the issuer agrees to make payments for a period of time determined in whole or in part by reference to the life expectancy of one or more individuals.

It also includes a contract that is considered to be an annuity contract in accordance with the law, regulation or practice of the jurisdiction in which the contract was issued and under which the issuer agrees to make payments for a term of years.

However, an annuity contract is not a financial account if it is a non-investment linked, non-transferable immediate life annuity issued to an individual monetising a pension or disability benefit provided under an excluded account.[59]

4.3 Cash value insurance contract

A "cash value insurance contract" will be a financial account. It is defined in subsection C(7) of s VIII of the CRS as meaning an insurance contract (other than an indemnity reinsurance between two insurance companies) that has a cash value.

There are three key elements to the definition of "cash value insurance contract":

- insurance contract,
- cash value insurance contract, and
- cash value

"Insurance contract" is defined in the CRS in s C(5) as a contract other than an annuity contract under which the issuer agrees to pay an amount upon the occurrence of a specified contingency involving mortality, morbidity, accident, liability or risk.

Under s C(7) of the CRS a "cash value insurance contract" means an insurance contract (other than an indemnity reinsurance contract between two insurance companies) that has a cash value.

A "cash value" is the greater of the amount a policy holder is entitled to receive upon surrender of the policy, or the amount the policyholder can borrow under it, but does not include an amount payable:

- solely upon the death of the insured under a life insurance contract,
- as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of an event insured against,
- as a refund of a previously paid premium due to cancellation or termination of the contract, decrease in risk exposure, or arising from the correction of a posting or similar error with regard to the premium for the contract,
- as a policyholder dividend[60] (other than a termination dividend) provided it relates to an insurance contract under which the only benefits payable are for a personal injury or sickness benefit, or other benefit providing indemnification of an economic loss incurred upon the occurrence of an event insured against, or
- as a return of an advance premium or premium deposit for which the premium is paid at least annually if the amount of the advance premium or premium deposit does not exceed the next annual premium payable.

[59] The meaning of "excluded account" is outlined in detail further below in s 4.6 of this guidance.
[60] See s 3.1.4.2 of this guidance for further detail about the definition of "policyholder dividend."

4.4 Custodial account

A "custodial account" is defined in subsection C(3) of s VIII of the CRS as an account other than an insurance contract or annuity contract for the benefit of another person that holds one or more financial assets. As noted above, a financial asset generally covers all assets that may be held in an account (including, for example shares, bonds, debentures, money, and interests in relevant crypto-assets).

However, the term "financial asset" does not include a non-debt direct interest in real property; or a commodity that is a physical good, such as wheat.

Custodial accounts for financial assets issued in the form of a crypto-asset

An arrangement to safe keep or administer the instrument enabling control over one or more financial assets issued in the form of a crypto-asset for the benefit of another person is a custodial account, to the extent that the entity has the ability to manage, trade or transfer to third parties the **underlying financial assets** on the person's behalf.[61]

Example
An individual, A, holds a custodial account with C, a custodial crypto-asset exchange that is a Reporting NZFI. At the beginning of the year, A holds 5 units of security token X in the custodial account with C. Throughout the year, A acquires an additional 3 units of security token X and disposes of 2 units. C reports the account balance of the custodial account under subparagraph A(4) of s 1 of the CRS. C is also required to report the gross proceeds from the disposals of security token X under subparagraph A(5)(b) of s 1 of the CRS **if** they do **not** report the gross proceeds of security token X under the crypto-asset reporting framework (or if they otherwise elect to report such gross proceeds for CRS purposes).[62]

4.5 Equity or debt interest

4.5.1 Equity or debt interest in an investment entity

A debt or equity interest in an investment entity is generally also considered a financial account. This then raises the questions of **what** constitutes an equity interest, **what** constitutes a debt interest, and **when** is an equity or debt interest in an investment entity a financial account.

4.5.1.1 What is an equity interest?

Partnerships

In the case of a partnership that is a financial institution, the term "equity interest" means a capital or profits interest in the partnership.

Trusts

In the case of a trust that is a financial institution, an "equity interest" is considered to be held by any person treated as a settlor or beneficiary of all or a portion of the trust, or any other natural person exercising ultimate effective control over the trust. The following points are relevant to equity interests in financial institution trusts:

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[61] If a Reporting NZFI custodial crypto-asset exchange provides such custodial services to customers and has multiple accounts/sub-custodial accounts for a particular customer - and with one of these accounts being a pre-existing account maintained as of 31 March 2026 - they are able to use the "additional" account pre-existing due diligence processes for these accounts for that particular customer in the circumstances set out at s 5.3.1 of this guidance.
[62] See pp 40-41 of the document titled "Consolidated text of the Common Reporting Standard (2025)." These reporting requirements are set out in detail at s 6 of this guidance.

Entity	If a settlor or beneficiary is an **entity** the relevant equity interest will be held by the controlling persons of that entity.
Beneficiary	A person will be treated as being a beneficiary of a trust if they have the right to receive directly or indirectly a mandatory or discretionary distribution from the trust. However, a **discretionary** beneficiary will only be treated as having an equity interest if they receive (paid or payable) a distribution directly or indirectly in the period (i.e. this will be the point when the beneficiary's account will be opened). If such a discretionary beneficiary of a financial institution trust receives a distribution from the trust in a particular period, that beneficiary will be treated as holding an account for the period when they receive the distribution and, subject to the following, in subsequent periods as well. The beneficiary's equity interest account in the trust will remain open **unless and until** the beneficiary is subsequently excluded from the trust (i.e. the absence of any distribution in a subsequent period will not constitute an account closure as long as the beneficiary is not permanently excluded from receiving future distributions from the trust).[64]
Other natural persons	The reference to "other natural person exercising ultimate effective control over the trust" would, at a minimum, include the trustee.
Similar arrangements	The same criteria for a trust that is a financial institution are applicable for a legal arrangement that is equivalent or similar to a trust, or a foundation that is a financial institution.

4.5.1.2 What is a debt interest?

A debt interest would cover amounts loaned to a financial institution and securities and bonds that are not equity interests or depository accounts.

When is an equity or debt interest in an investment entity a financial account?

Equity or debt interests in an investment entity will generally be financial accounts of that entity. It is important to note that the entity does not need to solely be an investment entity (i.e. the entity could come within another category of financial institution as well). This is different from FATCA, which requires that the financial institution is solely an investment entity in order for such an interest to be a financial account.

However, the definition of "financial account" does not include any equity or debt interest in an entity that is an investment entity solely because it (i) renders investment advice to, and acts on behalf of, or (ii) manages portfolios for, and acts on behalf of, a customer for the purpose of investing, managing or administering financial assets deposited in the name of the customer with a financial institution **other than** that entity.

Example
If Investment Entity A (a fund manager) merely facilitated investing a customer's funds in the customer's name with an investment entity unit trust the customer would not have an equity interest in Investment Entity A. Instead, the customer would have an equity interest in the unit trust. This means that it would be the unit trust that carries out due diligence on the customer.

[64] See p 36 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

4.5.2 Equity or debt interest in another type of financial institution

An equity or debt interest in any **other** type of financial institution will also be a financial account if the interest was established with a purpose of avoiding reporting under the general CRS reporting requirements.

4.6 What accounts are excluded from being "financial accounts"?

As noted above, Reporting NZFIs need to carry out due diligence on financial accounts they maintain. However, a financial account does **not** include an account that is an excluded account.

4.6.1 Accounts that the CRS explicitly defines as "excluded accounts"

The CRS, in turn, defines "excluded account" as meaning the following accounts in s VIII(C)(17(a) to (ebis) provided that those accounts meet specified criteria - retirement and pension accounts, non-retirement tax-favoured investment/savings accounts, term life insurance contracts, estate accounts, escrow accounts, low value specified electronic money products,[65] defined capital contribution accounts,[66]and depository accounts due to non-returned overpayments.

The scope of these "excluded accounts" is explained at pp 103-109 of the document titled “Consolidated text of the Common Reporting Standard (2025).” A full list of the requirements that must be satisfied for these accounts to be excluded is also set out in appendix 5.

4.6.2 Accounts that can be treated as "Excluded Accounts"

The CRS also provides in s VIII(C)(17)(g) that an implementing jurisdiction such as New Zealand can treat an account as an excluded account if:

- the account presents a low risk of being used to evade tax.
- the account has substantially similar characteristics to any of types of accounts that are explicitly defined in the CRS as "excluded accounts" as set out above,
- the account is defined in domestic law as an excluded account (i.e. in accordance with a legislative framework that allows the account to be listed as an excluded account), and
- defining the account as an "excluded account" would not frustrate the purposes of the CRS.

These criteria are expanded on below.

The Commissioner of Inland Revenue will determine what types of accounts are "excluded accounts". The OECD's expectation is that participating jurisdictions such as New Zealand will make their excluded accounts publicly available just like the NRFIs. CRS determinations made by the Commissioner of Inland Revenue about those accounts that have already been treated as excluded accounts in this way are available from taxtechnical.ird.govt.nz/search#q=CRS%20determinations&fttTypeFacet=Determinations%7CCRS%7CExclusions&numberOfResults=25. Reporting NZFIs are able to make submissions for their accounts to be treated as excluded accounts. Submitters should outline why the account satisfies all of the bullet points outlined above. These submissions should be sent via global.aeoi@ird.govt.nz.

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[65] This category of excluded account takes out of scope certain electronic money products that represent a low-risk in light of the limited monetary value stored, namely specified electronic money products whose rolling average 90-day end-of-day account balance or value does not exceed USD 10,000 in any consecutive 90-day period. Reporting NZFIs are able to treat this threshold as being **NZD** 10,000.

[66] This covers certain capital contribution accounts, the purpose of which is to block funds for a limited period of time for the purposes of the incorporation of a new company or a pending capital increase.

The CRS commentary also provides the following context to the criteria that will need to be satisfied before an account is treated as an "excluded account" in this way. Submitters should consider these points when they are preparing their submission.

4.6.2.1 The account presents a low risk of being used to evade tax

The first requirement for an account to be treated as an excluded account under s VIII(C)(17)(g) of the CRS is that the account presents a low risk of being used to evade tax. The CRS commentary provides that the following factors may be used when considering whether an account presents a low risk of being used to evade tax:[67]

Low-risk factors	The account is subject to regulation, the account is tax-favoured, information reporting to the tax authorities is required with respect to the account, contributions or the associated tax relief are limited, and the type of account provides appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.
High-risk factors	The type of account is not subject to AML/KYC Procedures, and the type of account is promoted as a tax minimisation vehicle.

The second requirement for an account being treated as an "excluded account" is that the account has substantially similar characteristics to any types of accounts that are explicitly defined in s VIII(C)(17(a) to (f) of the CRS as "excluded accounts". The CRS commentary also provides that the requirement that the account has substantially similar characteristics to any types of accounts that are explicitly defined in the CRS as "excluded accounts" cannot be used solely to eliminate a specific element of a description.

Each jurisdiction including New Zealand may evaluate the application of this requirement to a type of account that does not satisfy all the requirements of an explicitly "excluded account" in s VIII(C)(17(a) to (f) of the CRS. As part of the evaluation, a jurisdiction including New Zealand must identify which requirements are satisfied and which are not satisfied, and with respect to the requirements that are not satisfied, must identify the existence of a substitute requirement that provides equivalent assurance that the relevant type of account presents a low risk of tax evasion.

The CRS commentary sets out as a guideline the following examples to illustrate the points that will be relevant when determining whether an account could be treated as "excluded accounts" under s VIII(C)(17)(g). Submitters should consider these examples for further context.[68]

[67] See p 107 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[68] See p 108 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 1
Unlimited annuity contract: A type of annuity contract satisfies all the requirements listed in subsection C(17)(a), apart from the one contained in subsection C(17)(a)(v) (i.e. contributions are not limited). However, the applicable penalties apply to all withdrawals made before reaching a specified retirement age and include taxing the contributions that were previously tax favoured with a high flat-rate surtax (e.g. 60%). Because there is a substitute requirement that provides equivalent assurance that the account presents a low risk of tax evasion, this type of account could be defined in domestic law as an excluded account.

Example 2
Unlimited savings account: A type of savings account satisfies all the requirements listed in subsection C(17)(b), apart from the one contained in subsection C(17)(b)(iv) (i.e. contributions are not limited). However, the tax relief associated to the contributions is limited by reference to an indexed amount. Because there is a substitute requirement that provides equivalent assurance that the account presents a low risk of tax evasion, this type of account could be defined in domestic law as an excluded account.

Example 3
Micro cash value insurance contract: A type of cash value insurance contract only satisfies the requirement described in subsection C(17)(b)(i) (i.e. it is regulated as a savings vehicle for purposes other than for retirement). However, under the micro insurance regulations of the participating jurisdiction, (i) it is targeted to individuals (or groups of individuals) that are below the poverty line (e.g. living on less than USD1.25 per person per day in 2005 US dollars), and (ii) the total gross amount payable under the contract cannot exceed USD 7,000. Because there is an overall, substitute requirement that provides equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an excluded account.

Example 4
Social welfare account: A type of savings account only satisfies the requirement described in subsection C(17)(b)(i) (i.e. it is regulated as a savings vehicle for purposes other than for retirement). However, under the social welfare regulations of the participating jurisdiction, it can solely be held by an individual that (i) is below the poverty line (e.g. living on less than USD 1.25 per person per day in 2005 US dollars) or otherwise low-income, and (ii) is participating in a social welfare programme. Because there is an overall substitute requirement that provides equivalent assurance that the account presents a low risk of tax evasion, this type of account could be defined in domestic law as an excluded account.

Example 5
Financial inclusion account: A type of depository account only satisfies the requirements described in subsection C(17)(b)(i) and (iv) (i.e. it is regulated as a savings vehicle for purposes other than for retirement, and annual contributions are limited). However, under the financial regulations of the participating jurisdiction, (i) it provides defined and limited services to individuals, so as to increase access for financial inclusion purposes; (ii) monthly deposits cannot exceed USD 1,250 (excluding deposits by an authorised government body under a social welfare programme); and (iii) financial institutions have been allowed to apply simplified AML/KYC Procedures with respect to this type of account, since it has been regarded as having a lower money laundering and terrorist financing risk in accordance with the Financial Action Task Force Recommendations. Because there are overall substitute requirements that provide equivalent assurance that the account presents a low risk of tax evasion, this type of account could be defined in domestic law as an excluded account.

Example 6
Dormant account: A type of depository account (i) with an annual balance that does not exceed USD1,000, (ii) that is a dormant account.
Because there are overall substitute requirements that provide equivalent assurance that the account presents a low risk of tax evasion, this type of account could be defined in domestic law as an excluded account during the dormancy period.

Example 7
Housing cooperative account: A type of account held by or on behalf of a group of owners or by the condominium company for the purpose of paying the expenses of the condominium or housing cooperative which meets the following requirements: (i) it is regulated in domestic law as a specific account for covering the costs of a condominium or housing cooperative, (ii) the account or the amounts contributed and/or kept in the account are tax- favoured, (iii) the amounts in the account may only be used to pay for the expenses of the condominium or housing cooperative and (iv) no single owner can annually contribute an amount that exceeds USD 50,000. Where some of the above requirements (such as the financial account being tax-favoured or contributions being limited to USD 50,000) are not met, substitute characteristics or restrictions that assure an equivalent level of low risk could be considered, taking into account domestic specificities. This may include features such as: (i) no more than 20% of the annual and total contributions due in the year being attributable to a single person, (ii) the account being operated by an independent professional, (iii) the amounts of the contributions and the use of the money being decided by agreement of owners in accordance with the condominium's or housing cooperative's constituting documents or (iv) disallowing withdrawals from the account for purposes other than the expenses of the condominium or housing cooperative. Because there are overall, substitute requirements that provide equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an excluded account.

5 What does the CRS "due diligence" process involve?

This guidance has set out when an entity will be a Reporting NZFI with CRS due diligence and reporting obligations, and what financial accounts will be in scope for such CRS due diligence. It will now outline **what** the CRS due diligence process involves for such financial accounts.

5.1 High level overview of the CRS due diligence process

The CRS requires that Reporting NZFIs carry out due diligence on their financial accounts to identify accounts held and/or, in the case of passive NFEs, controlled by relevant foreign tax residents.

Reporting NZFIs will need to use different CRS due diligence procedures depending on **when** the financial account is opened, and **whether** the account is held by an individual or entity. There are four categories of accounts: pre-existing individual accounts, new individual accounts, pre-existing entity accounts, and new entity accounts.

[For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) please refer to appendix 10 for a detailed outline of when such accounts will be pre-existing and new accounts (respectively) and the relevant time-frames and dates for carrying out CRS due diligence on such accounts].

The following is a high-level summary of the different CRS due diligence procedures. A more detailed outline is set out further below.

Pre-existing individual accounts

Pre-existing individual accounts are accounts held by an individual that were open as of 30 June 2017.[69] These accounts are, in turn, split into the following categories each of which has its own due diligence procedures:

Lower-value accounts	Accounts with a balance or value of less than USD 1,000,000 as of 30 June 2017.
High-value accounts	Accounts with a balance or value of USD 1,000,000 or more as of 30 June 2017 or any subsequent 31 March. As explained further below, Reporting NZFIs will be required to carry out enhanced due diligence on these high-value accounts.

Pre-existing individual account due diligence will generally involve the Reporting NZFI either applying a "residential address test" supported by documentary evidence[70] to determine whether the account holder is a foreign tax resident, or reviewing the account information they have for indicia (indicators) that the account holder is a foreign tax resident. For example, the Reporting NZFI may identify in its electronic records that the account holder has a mailing address in a foreign jurisdiction and is a foreign tax resident.

As explained in detail further below, a Reporting NZFI is only able to adopt the "residential address test" for lower value pre-existing individual accounts.

New individual accounts

New individual accounts are accounts held by an individual opened on or after 1 July 2017.[71] New individual account due diligence will generally involve the Reporting NZFI taking the following steps:

Step one: **Obtaining self-certifications**	Obtaining self-certifications from the account holder to determine whether they are a relevant foreign tax resident (i.e. the account holder signing or affirming whether they are a foreign tax resident).
Step two: **Validating self-certifications**	Cross-checking the reasonableness of this self-certification against other information obtained in connection with the opening of the account including AML/KYC information. This process is known as "validating" the self-certification. This is important because a Reporting NZFI cannot rely on a self-certification or documentary evidence if they know or have reason to know that it is incorrect or unreliable.

[69] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an individual as of 31 March 2026 (i.e. such accounts will be pre-existing individual accounts). For such accounts, the relevant initial date for determining the balance or value of the account for the category of the account (i.e. lower value account or high value account – set out below) should be read as referring to the balance or value as of 31 March 2026 (i.e. instead of 30 June 2017). See appendix 10 for further detail.

[70] The types of documentary evidence are set out in appendix 3.

[71] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an individual as of or after 1 April 2026 (i.e. such accounts will be new individual accounts). See appendix 10 for further detail.

Pre-existing entity accounts

Pre-existing entity accounts are accounts held by an entity (such as a trust, partnership or company) that were open as of 30 June 2017.[72] Pre-existing entity account due diligence will generally involve the Reporting NZFI relying on a combination of account information on file and valid self-certifications to determine whether the account holder is a relevant foreign tax resident, and/or whether the account holder is a passive NFE with controlling persons that are relevant foreign tax residents.

New entity accounts

New entity accounts are accounts held by an entity (such as a trust, partnership or company) and opened on or after 1 July 2017.[73] New entity account due diligence will generally involve the Reporting NZFI obtaining valid self-certifications to determine whether the account holder is a relevant foreign tax resident, and/or whether the account holder is a passive NFE with controlling persons that are relevant foreign tax residents.

Threshold and aggregation rules

There are also a number of "threshold" and "aggregation" rules that feed into these due diligence procedures. These threshold and aggregation rules are important because they can impact the type of due diligence that needs to be carried out for the account. Under the CRS and its commentary, jurisdictions can convert USD amounts in the CRS by applying domestic law methodologies (e.g. see s YF 1(2) of the ITA regarding foreign currency conversion and the use of spot rates). Additionally, Item 12, of Part 1, of schedule 2 the TAA allows a Reporting NZFI to treat all dollar amounts referred to in the CRS as being in New Zealand dollars.

Threshold Rules

Pre-existing individual accounts

There is a USD1,000,000 balance or value test (which a Reporting NZFI can simply treat as NZD1,000,000) for pre-existing individual accounts, which will determine whether an account is a lower-value account or a high-value account (referred to above). For example, whether or not the balance or value of the account was USD1,000,000 or more on 30 June 2017 or any subsequent 31 March, and, therefore is a high-value account subject to enhanced due diligence.

Pre-existing entity accounts

There is also a USD250,000 balance or value de minimis threshold exclusion (which a Reporting NZFI can simply treat as NZD250,000) from due diligence and reporting for pre-existing entity accounts. This would apply if the account has a balance or value that did not exceed USD250,000 on 30 June 2017 or any subsequent 31 March. A Reporting NZFI is able to choose not to adopt this threshold exclusion.

There is also a USD1,000,000 balance or value test (which a Reporting NZFI can simply treat as NZD1,000,000) for such pre-existing entity accounts, which will determine what due diligence process the Reporting NZFI needs to follow to identify whether any of a passive NFE's controlling persons are foreign

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[72] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an entity as of 31 March 2026 (i.e. such accounts will be pre-existing entity accounts). For such accounts, the relevant initial date for determining the balance or value of the account (for threshold purposes) should be read as referring to the balance or value as of 31 March 2026 (i.e. instead of 30 June 2017). See appendix 10 for further detail.

[73] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an entity as of or after 1 April 2026 (i.e. such accounts will be new entity accounts). See appendix 10 for further detail.

tax residents. The Reporting NZFI will need to obtain self-certifications in relation to such persons **if** the balance of such accounts exceeds USD1,000,000.

Aggregation Rules

The CRS also contains various aggregation rules a Reporting NZFI will need to adopt when applying these threshold balance tests. These aggregation rules cover the following circumstances.

Aggregation of individual accounts

For the purposes of determining the aggregate balance or value of financial accounts held by an individual a Reporting NZFI is required to aggregate all financial accounts maintained by the Reporting NZFI, or by a related entity. However, this is only to the extent that the Reporting NZFI's computerised systems link the financial accounts by reference to a data element such as client number or taxpayer identification number (TIN), and allow account balances or values to be aggregated. Under the CRS an entity is a "related entity" of another entity, for these purposes, if either entity controls the other entity or the two entities are under common control. For this purpose, control includes direct or indirect ownership of more than 50% of the vote and value of such entity. Additionally, two managed investment entities can be related entities if they are under common management and such management fulfils the due diligence obligations of such investment entities.[74]

Each holder of a jointly held financial account shall also be attributed the entire balance or value of the jointly held financial account for purposes of applying the aggregation requirements described above.

For the purposes of determining the aggregate balance or value of pre-existing individual financial accounts held by a person to determine whether the account is a high-value account (referred to above), a Reporting NZFI is also required, in the case of any financial accounts that a relationship manager knows, or has reason to know, are directly or indirectly owned, controlled or established (other than in a fiduciary capacity) by the same person, to aggregate all such accounts.

Aggregation of entity accounts

For the purposes of determining the aggregate balance or value of financial accounts held by an entity, a Reporting NZFI is required to take into account all financial accounts that are maintained by the Reporting NZFI, or by a related entity. However, this is only to the extent that the Reporting NZFI's computerised systems link the financial accounts by reference to a data element such as client number or TIN, and allow account balances or values to be aggregated. Each holder of a jointly held financial account shall also be attributed the entire balance or value of the jointly held financial account for purposes of applying the aggregation requirements described above.

Ongoing Requirements

Reporting NZFIs are required to carry out CRS due diligence procedures on their financial accounts - including applying these balance or value thresholds and aggregation rules - to determine whether these accounts are held, and/or, in the case of a passive NFE controlled, by foreign tax residents. These due diligence requirements are not merely a one-off "snapshot". Instead, these requirements are on-going in nature. For example, suppose that a Reporting NZFI has carried out due diligence on an individual account holder, obtained a valid self-certification from that account holder, and has determined that the account is not held by a foreign tax resident. The expectation in the CRS is that the Reporting NZFI will have procedures in place to identify when there is subsequently a "change in circumstances" that may call into question the validity of the self-certification and require it to carry out further due diligence. This is in line with an over-arching pillar in the CRS that a Reporting NZFI cannot rely on a self-certification, documentary evidence or other information to determine the CRS status of an account if they know or

[74] See p 103 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

have reason to know that it is incorrect or unreliable (i.e. potentially because of a change in circumstance that calls it into question).

The CRS commentary states, on this point, that:[75]

> …a Reporting Financial Institution is **expected to institute procedures to ensure that any change that constitutes a change in circumstances is identified** by the Reporting Financial Institution. [Emphasis added]

A "change in circumstances" includes any change that results in the addition of information relevant to a person's status or otherwise conflicts with such a person's status. In addition, a change in circumstances includes any change or addition of information to the account (including the addition, substitution or other change of an account holder) or any change or addition of information to any account associated with such an account applying the aggregation rules if that change or addition of information affects the status of the account. The emphasis is on Reporting NZFIs having procedures in place to identify and follow up on changes that may affect the classification of a financial account. This would include Reporting NZFIs taking the following steps:

[75] Page 60 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Indicia	Having procedures in place to identify the addition of indicia of foreign tax residence relating to an account. The type of indicia that would be relevant in this context would include the indicia of foreign tax residency described in the pre-existing individual account due diligence procedures (see s III(B)(2)(a)-(f) of the CRS), and that is explained in detail in s 5.3.2 of this guidance.
Notification	Informing a person providing a self-certification or documentation relating to an account of the person's obligation to notify the Reporting NZFI of a change in circumstances that they are aware of.[76] This is important because, as noted above, a Reporting NZFI cannot rely on a self-certification or documentation that it knows or has reason to know is incorrect or unreliable.
Customer master files	Having procedures in place to ensure that any change to the customer master files that constitutes a change in circumstances is identified.[77]
Relationship manager	Having procedures in place to ensure that a relationship manager identifies any change in circumstances relating to a pre-existing high-value individual account that they act as relationship manager for (see s III(C)(9) of the CRS).
Accounts becoming high value accounts	Having procedures in place to identify when a pre-existing individual account has become a high-value account and, therefore, subject to enhanced due diligence procedures.
Beneficiary(ies) designated by characteristics or by class	If the Reporting NZFI maintains an account held by a passive NFE trust where the beneficiary(ies) is designated by characteristics or by class (i.e. as opposed to being named beneficiaries), it should obtain sufficient information concerning the beneficiary(ies) to satisfy itself that it will be able to establish the identity of the beneficiary(ies) **at the time** of the pay-out or when the beneficiary(ies) intends to exercise vested rights.[78] This is relevant to the issue of when the Reporting NZFI needs to identify such beneficiaries as controlling persons. The procedures that a Reporting NZFI can adopt to meet this requirement - and similar procedures that they can choose to adopt to identify when "named" discretionary beneficiaries of a passive NFE trust will be relevant controlling persons - are outlined in detail below at ss 5.5.3 and 5.6.3.
AML/KYC procedures	If a Reporting NZFI is subject to AML/KYC procedures that are amended the Reporting NZFI must use any additional information obtained under such amended AML/KYC procedures to determine whether there has been a change of circumstances in relation to the identity and/or reportable status of account holders/controlling persons. If the additional information obtained is inconsistent with the claims made by a person in a self-certification, then there has been a change in circumstances and a Reporting Financial Institution NZFI will have a reason to know that the self-certification is unreliable or incorrect.[79]

[76] See pp 60 and 120 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[77] See p120 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[78] See p115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[79] See p75 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 1
Tom opens an account with a Reporting NZFI. The Reporting NZFI obtains a self-certification from Tom that New Zealand is the only jurisdiction that he is tax resident in. Three years after opening the account, Tom rings the Reporting NZFI to add a foreign mailing address to the account. This is a change in circumstances that calls into question the original self-certification. The Reporting NZFI would need to re-determine the status of the account.
However, it important to note that it is contemplated that a Reporting NZFI will not necessarily know about every change in circumstances pertaining to an account that they maintain. The key requirement is that a Reporting NZFI must have reasonable procedures in place to identify a change in circumstances, even though as a practical matter these procedures may not always result in the identification of a particular change in circumstance. In this respect, a Reporting NZFI may rely on a self-certification without having to enquire into possible changes of circumstances that may affect the validity of the statement, unless it knows or has reason to know that circumstances have changed. A Reporting NZFI will not be considered to know or to have reason to know of such changes, where it has adopted reasonable and prudent procedures for identifying a change of circumstance, but where those procedures have simply not led to the identification of a change in circumstances. The example set out below highlights this point.

Example 2
A Reporting NZFI has procedures in place to determine whether a self-certification is correct including informing any person providing a self-certification of the person's obligation to notify them of a change in circumstances. Simon opens an account with the Reporting NZFI and as part of the account opening process provides a self-certification that New Zealand is the only jurisdiction that he is tax resident in. Simon subsequently becomes a foreign tax resident. However, Simon deliberately fails to inform the Reporting NZFI of this change. Therefore, the Reporting NZFI is not aware of this change and does not have reason to know of this change. However, it is not at fault. In such circumstances, the Reporting NZFI would not have breached its CRS due diligence obligations.

5.2 Detailed outline of due diligence procedures

This guidance now outlines **in detail** the due diligence procedures that Reporting NZFIs need to carry out for the four different types of financial accounts:

Pre-existing individual accounts	Accounts held by an individual that were open as of 30 June 2017.
New individual accounts	Accounts held by an individual that are opened on or after 1 July 2017.
Pre-existing entity accounts	Accounts held by an entity (such as a trust, partnership, or company) that were open as of 30 June 2017.
New entity accounts	Accounts held by an entity (such as a trust, partnership or company) that are opened on or after 1 July 2017.

For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) please refer to appendix 10 for a detailed outline of when such accounts will be pre-existing (broadly, those accounts held as of 31 March 2026) and new accounts (broadly, those accounts opened on or after 1 April 2026) respectively and the relevant time-frames and dates for carrying out CRS due diligence for such accounts.

5.3 Pre-existing individual accounts

5.3.1 Overview

In broad terms, a pre-existing individual account is an account that is both maintained by a Reporting NZFI as of 30 June 2017,[80] and held by an individual.

Additional Accounts

An additional account opened by a pre-existing customer on or after 1 July 2017[81] is **also** able to be treated as a pre-existing account if all of the following requirements are satisfied:

Another account	The account holder holds with the Reporting NZFI or a related entity in New Zealand a financial account that is a pre-existing account, **and** both accounts are treated as a single account for the purposes of satisfying the "standards of knowledge" requirements and determining the balance or value of the account when applying any account thresholds.
AML/KYC procedures	If the financial account is subject to AML/KYC procedures, the Reporting NZFI is permitted to satisfy such procedures for the financial account by relying on the AML/KYC procedures performed for the pre-existing account.
Customer information	The opening the financial account does **not** require the account holder to provide new, additional or amended customer information other than for the purposes of the CRS. The OECD has confirmed in an answer to a "frequently asked question" on the AEOI portal[82] that this condition should be interpreted to include any instances in which the account holder is **not** required to provide the Reporting NZFI with new, additional or amended customer information, as a result of a legal, regulatory, operational or any other requirement, in order to open the account. The rationale for this condition is that if there was such a requirement to provide this information this would provide an opportunity for the Reporting NZFI to obtain a self-certification together with new, additional or amended customer information as part of the opening of the account.

The scope for Reporting NZFIs to treat such "additional" accounts as "pre-existing" accounts in these prescribed circumstances reflects the practical reality that most Reporting NZFIs will on-board the investor, not each account.

Overview – Pre-Existing Individual Account Due Diligence

A Reporting NZFI is generally required to carry out due diligence on all pre-existing individual financial accounts to determine whether they are held by relevant foreign tax residents. There is no de minimis threshold. This is different to FATCA, which has various de minimis thresholds.

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[80] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an individual as of 31 March 2026 (i.e. such accounts will be pre-existing individual accounts). For such accounts, the relevant initial date for determining the balance or value of the account for the category of the account (i.e. lower value account or high value account – set out below), as set out in this guidance, should be read as referring to the balance or value as of 31 March 2026 (i.e. instead of 30 June 2017). See appendix 10 for further detail.

[81] For accounts that became financial accounts solely due to the CRS amendments on 1 April 2026 this would apply to certain additional accounts opened by a pre-existing customer on or after 1 April 2026 that meet these requirements.

[82] oecd.org/en/topics/international-standards-on-tax-transparency

However, a Reporting NZFI is not required to review a pre-existing individual account that is a cash value insurance contract or annuity contract if they are effectively prohibited by law from selling the contract to relevant foreign tax residents.

The type of due diligence procedures that the Reporting NZFI will need to carry out on pre-existing individual accounts will depend on whether the account is a lower value account or high value account as set out below:

The account is a lower value-account	A balance or value that was USD1,000,000 or less as of 30 June 2017 (which a Reporting NZFI can simply treat as NZD1,000,000).
The account is a high value account	A balance or value that exceeded USD1,000,000 (which a Reporting NZFI can simply treat as NZD1,000,000) as of 30 June 2017 or any subsequent 31 March.

As explained further below, Reporting NZFIs need to carry out enhanced due diligence for high-value accounts.

This guidance will now set out the CRS due diligence procedures for "lower-value" pre-existing individual accounts and "high-value" pre-existing individual accounts respectively.

5.3.2 CRS due diligence procedures for lower-value pre-existing individual accounts

Reporting NZFIs have some flexibility when carrying out due diligence on lower-value pre-existing individual accounts. Two options are available (as set out below):

Option One: Residential address test	Reporting NZFIs can choose to adopt a "residence address test" as a proxy for determining whether the account holder is a relevant foreign tax resident.
Option Two: Foreign indicia test	Reporting NZFIs can choose to rely on a "foreign indicia test" - searching for indicators that the account holder is a foreign tax resident - as a proxy for determining whether the account holder is a relevant foreign tax resident.

This guidance now explains how Reporting NZFIs can carry out due diligence under each of these due diligence options for lower-value accounts.

Option one - Residence address test

Reporting NZFIs have the option of using a current residence address test based on documentary evidence[83] as a proxy to determine whether a lower-value pre-existing individual account holder is a relevant foreign tax resident. This is a key difference from FATCA, which does not have such a test.

The relevant types of documentary evidence are set out at appendix 3 to this guidance. The type of documentary evidence that is most likely to be relevant in the context of the residential address test is a valid identification issued by an authorised government body (for example, a government or agency thereof, or a municipality), that includes the individual's name and is typically used for identification purposes.

The CRS commentary provides a useful summary of the circumstances when a Reporting NZFI can rely on such documentary evidence when applying the "residence address test". This includes a summary of the following matters. First, the circumstances when documentary evidence can be relied upon. Second, the circumstances when documentary evidence can be supplemented by other documentation and

[83] The relevant types of documentary evidence for CRS purposes are set out in appendix 3 of this guidance.

information and relied upon. Third, the prescribed exceptional circumstances when a concessionary approach can be adopted for accounts opened at a time where there were no AML/KYC requirements and the Reporting NZFI, therefore, did not review any documentary evidence in the initial on-boarding process.[84]

Example 1
Reporting NZFI chooses to adopt the "residence address test" to determine the status of its lower-value pre-existing individual accounts. Reporting NZFI maintains a pre-existing individual account held by Claire. The account has a balance of NZD 10,000 as of 30 June 2017. The Reporting NZFI's records show that Claire has a current residential address in foreign jurisdiction B. Reporting NZFI has documentary evidence supporting the fact that Claire is resident in foreign jurisdiction B. Reporting NZFI treats Claire as tax resident in foreign jurisdiction B for CRS purposes.

Example 2
Government issued identity card: A Reporting NZFI has policies and procedures in place pursuant to which it has collected a copy of the identity card of all of the account holders of its pre-existing individual accounts and pursuant to which it ensures that the current residence address in its records for those accounts is in the same jurisdiction as the address on their identity card. The Reporting NZFI may treat such account holders as being resident for tax purposes of the jurisdiction in which such address is located.

Example 3
Passport and utility bill: A Reporting NZFI has account opening procedures in place pursuant to which it relies on the account holder's passport to confirm the identity of the account holder and on recent utility bills to verify their residence address, as recorded in its systems. The Reporting NZFI may treat its pre-existing individual account holders as being resident for tax purposes of the jurisdiction recorded in its systems.

Example 4
Utility bill with reporting obligations: A Reporting NZFI has a number of accounts opened prior to 1990 that have been grandfathered from the application of AML/KYC Procedures and the related rules on materiality and risk have not required re-documenting the accounts. The Reporting NZFI has in its records a current residence address for these accounts that is supported by utility bills collected upon account opening. Such address is also the same address as that which the Reporting NZFI periodically reports with respect to those accounts under its non-CRS tax reporting obligations. Because the Reporting NZFI's records do not contain any documentary evidence associated with these accounts and the Reporting NZFI has not been required to collect such evidence under AML/KYC Procedures, and the current residence address in the Reporting NZFI's records is the same as that on the most recent documentation that they have collected and that they have reported under their non-CRS tax reporting obligations, the Reporting NZFI may treat its account holders as being resident for tax purposes of the jurisdiction in which such address is issued.

If a Reporting NZFI has relied on the residence address test to determine an account holder's tax residency and there is a change in circumstances that causes them to know or have reason to know that the documentary evidence or other documentation relied on is incorrect or unreliable, they are required to carry out further due diligence on the account to determine its status. The Reporting NZFI must, by the later of the last day of the relevant reporting period, or 90 days following the notice or discovery of such change in circumstances, obtain a self-certification and new documentary evidence to establish the residence(s) for tax purposes of the account holder. Reporting NZFIs should refer to the guidance set out

[84] See pp 46-49 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

below for new individual account due diligence (s 5.4), for the details of who can provide such a self-certification, what form the self-certification can take, the process for validating self-certifications, and how self-certifications apply to dual residents (including where dual residents are redocumented). If the Reporting NZFI cannot obtain the self-certification and new documentary evidence by such date, they must apply the electronic record search procedures outlined below.

Option two - Indicia test

A Reporting NZFI that does not adopt the residential address test or is not able to apply that test will need to determine the account holder's tax residence by reviewing its electronic records for relevant indicia (indicators) that the account holder is a foreign tax resident. Such indicia if identified will be used as a proxy for determining the account holder's tax residence (i.e. indicia of tax residence in a foreign jurisdiction leading to a presumption of tax residence in that jurisdiction), unless the Reporting NZFI chooses to "cure" such indicia. The concept of "curing indicia" is outlined further below.

The Reporting NZFI must in these circumstances review electronically searchable data that it maintains for records of the following indicia:

a. identification of the account holder as a resident of a foreign jurisdiction,
b. current mailing or residence address (including a post office box) in a foreign jurisdiction,
c. one or more telephone numbers in a foreign jurisdiction and no telephone number in New Zealand,
d. standing instructions (other than with respect to a depository account) to transfer funds to an account maintained in a foreign jurisdiction,
e. currently effective power of attorney or signatory authority granted to a person with an address in a foreign jurisdiction, or
f. a "hold mail" instruction or "in-care-of" address in a foreign jurisdiction if the Reporting NZFI does not have any other address on file for the account holder.

If the Reporting NZFI does not discover any of these indicia in the electronic search, it is not required to take any further steps until there is a change in circumstances that results in one or more indicia being associated with the account, or the account becomes a high value account.

If the Reporting NZFI discovers any of the indicia of foreign tax residence listed in (a) through (e) above in the electronic search, or if there is a change in circumstances[85] that results in one or more indicia being associated with the account, the Reporting NZFI must treat the account holder as a resident for tax purposes of each foreign jurisdiction for which an indicium is identified, unless it chooses to and is able to cure the indicia. The relevant "curing" procedures are generally based on the Reporting NZFI obtaining a combination of self-certifications and documentary evidence[86] to establish the account holder's residence. Reporting NZFIs should also refer to the guidance set out below for new individual account due diligence (at s 5.4), for the details of who can provide such a self-certification, what form the self-certification can take, the process for validating self-certifications, and how self-certifications apply to dual residents (including when dual residents are redocumented).

If the Reporting NZFI discovers a "hold mail" instruction or "in-care-of" address in the electronic search and no other address and does not identify any of the other indicia of foreign tax residence listed in (a) through (e) above for the account holder they must, in the order most appropriate to the circumstances, adopt the following procedures to determine whether the account holder is a foreign tax resident:

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[85] If a Reporting NZFI is subject to AML/KYC procedures that are amended the Reporting NZFI must use any additional information obtained under any amended AML/KYC procedures to determine whether there has been a change of circumstances in relation to the identity and/or reportable status of account holders (see p75 of the document titled "Consolidated text of the Common Reporting Standard (2025).")

[86] The types of documentary evidence are set out in appendix 3.

- apply a paper record search, or
- seek to obtain from the account holder a self-certification or documentary evidence to establish their residence(s) for tax purposes.

The paper record search that a Reporting NZFI may need to carry out in these circumstances is as follows:

- Review its current customer master file and, to the extent not contained in the current customer master file, the following documents associated with the account and that it has obtained within the last five years for any of the indicia of foreign tax residence in a foreign jurisdiction listed in (a) through (e) above for the account holder:
    - the most recent documentary evidence collected with respect to the account,
    - the most recent account opening contract or documentation,
    - the most recent documentation obtained by the Reporting NZFI according to AML/KYC Procedures or for other regulatory purposes,
    - any power of attorney or signature authority forms currently in effect, and
    - any standing instructions (other than with respect to a depository account) to transfer funds currently in effect.

If the paper search fails to establish an indicium, and the attempt to obtain the self-certification or documentary evidence is not successful, the Reporting NZFI must report the account as an undocumented account. An undocumented account can only apply to preexisting individual accounts (accounts opened on or before 30 June 2017)[87] if they meet the applicable criteria, i.e. a "hold mail" instruction or "in-care-of" address in a foreign jurisdiction if the Reporting NZFI does not have any other address on file for the account holder and has not been able to document the account.

5.3.2.1 Information to collect

If a Reporting NZFI carries out the above procedures, and identifies that the account holder is a relevant foreign tax resident, they will need to collect prescribed information from the account holder. This will include:

- the account holder's tax identification number (TIN) or a functional equivalent, in the absence of a TIN with respect to each[88]foreign jurisdiction they are identified as being tax resident in (subject to the following qualifications/exceptions), and
- the account holder's date of birth (subject to the following qualifications).

The "functional equivalent" to a TIN includes, for individuals, a social security/insurance number, citizen/personal identification/service code/number, and resident registration number; and for entities, a business/company registration code/number. The CRS due diligence procedures have also been amended to allow reliance on a “Government Verification Service” (GVS) for the purposes of ascertaining the identity and tax residence of an account holder.[89]

[It is assumed, for the purposes of the following, that the Reporting NZFI will already have the account holder's name and address in its records. A full list of the information that the Reporting NZFI needs to collect (and report if the account is a reportable account) is set out in s 6 of this guidance.]

[87] This applies to accounts opened on or before 31 March 2026 for those accounts that became financial accounts solely because of the CRS amendments of 1 April 2026.
[88] This general principle - that a Reporting NZFI must obtain such TIN or functional equivalent information for all of the jurisdictions that the account holder (and/or, if applicable, controlling person) is identified as being tax-resident in - applies to all accounts.
[89] See p 118 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

Qualifications: Transitional period for collection TINs and date of birth information

If a Reporting NZFI does not otherwise have the account holder's TIN or functional equivalent or date of birth in its records,[90] it will (subject to the following exceptions for TINs) be required to use reasonable efforts to obtain such information by the end of the second reporting period following the period in which the account holder is identified as being a reportable person. Reporting NZFI's are also required to use reasonable efforts to obtain the TIN(s) and date of birth with respect to preexisting accounts whenever it is required to update the information relating to the preexisting account pursuant to New Zealand domestic AML/KYC procedures (i.e. if it has not otherwise obtained such TIN and date of birth information).[91]

Exceptions**:** Where TINs are not required to be obtained

The Reporting NZFI is not required to obtain the account holder's TIN or functional equivalent in either of the following circumstances:

- The account holder has not been issued with a TIN or functional equivalent. For example, if:
    - the account holder's jurisdiction(s) of tax residence does not issue TINs or a functional equivalent; or
    - the account holder's jurisdiction(s) of tax residence has not issued a TIN or a functional equivalent to them. For example, the account holder may be a child that has not been issued with a TIN or a functional equivalent.
- The account holder's jurisdiction of tax does not require the collection of the TIN issued by such jurisdiction.

The OECD's AEOI portal[92] contains the rules that jurisdictions adopt for issuing TINs or functional equivalent, in the absence of a TIN and the format of such TINs. The information on this portal will assist Reporting NZFIs in carrying out their due diligence and determining when they need to collect TINs.

If a Reporting NZFI identifies that an account holder is a relevant foreign tax resident and the account holder claims not to have either a TIN or functional equivalent the Reporting NZFI should refer to the AEOI portal for information about whether the account holder's jurisdiction(s) of tax residence would have issued a TIN or functional equivalent to them. This will assist the Reporting NZFI to determine the reasonableness of the account holder's claim. The Reporting NZFI may need to ask the account holder further questions to determine the reasonableness of their claims. The Reporting NZFI is not required to go beyond the information on the AEOI portal.

For example, the Reporting NZFI may check the information on the AEOI portal and determine, based on this information, that the account holder is from a jurisdiction that always issues TINs to their residents. Therefore, the Reporting NZFI would reasonably determine that the account holder has a TIN that they should be providing and that the Reporting NZFI is required to collect.

A Reporting NZFI is generally not required to confirm the format and other specifications of a TIN with the information on the AEOI portal. Reporting NZFIs may nevertheless wish to do so to enhance the quality of the information collected and minimise the administrative burden associated with any follow-up concerning reporting of an incorrect TIN.

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[90] A Reporting NZFI may already have such date of birth information in its records because it has already collected such information for AML or other regulatory purposes.
[91] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[92] oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/#d.en.347759.

Notwithstanding the general rule expressed above, a Reporting NZFI should be familiar with, and check for, the validity of TINs from another jurisdiction in which the Reporting NZFI or a related entity operates in the following circumstances:

Simple or standard rules	If there are simple or standard rules for TINs in that jurisdiction such as the structure or number of digits. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.
IT Systems	If the IT systems used across the jurisdictions are shared or sufficiently similar that the validation task would not be onerous. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.

Inland Revenue will monitor international expectations on the use of the TIN information on the OECD's AEOI portal and update this guidance if necessary.[93]

5.3.2.2 Timing for completion of due diligence and reporting

Reporting NZFIs needed to complete their initial review and any reporting (for accounts identified as reportable) of pre-existing individual lower-value accounts by 30 June 2019.

5.3.3 CRS due diligence procedures for high-value pre-existing individual accounts – balance or value that exceeded USD 1,000,000 as of 30 June 2017 or any subsequent 31 March[94]

A Reporting NZFI that maintains a high value pre-existing individual account needs to perform enhanced due diligence procedures on the account to determine if the account holder is a relevant foreign tax resident.

This includes, **in addition to** the Reporting NZFI being required to review electronic records for indicia[95] that the account holder is a relevant foreign tax resident in the way outlined above with respect to lower-value accounts:

- sometimes being required to conduct a paper record search for such indicia, and
- applying an actual knowledge test when a relationship manager has actual knowledge that the account is held by a reportable person (the "relationship manager test").

A Reporting NZFI is not able to apply the "residence address" test for such high-value accounts.

[93] This point applies to the guidance for TIN collection for all types of accounts.
[94] A Reporting NZFI is able to choose to adopt these procedures for lower-value accounts as well.
[95] The same indicia are relevant for both lower-value and high-value accounts.

The paper-based search

The circumstances when a Reporting NZFI that maintains a high-value account needs to do a paper-based search for foreign indicia (in addition to the electronic search for such indicia set out above) will depend on the facts.

A Reporting NZFI is **not** required to perform this paper record search for such a high-value account **if** its electronically searchable information includes the following:

- the account holder's residence status,
- the account holder's residence address and mailing address is currently on file with the Reporting NZFI,
- the account holder's telephone number(s) if any is currently on file, with the Reporting NZFI,
- in the case of financial accounts other than depository accounts, whether there are standing instructions to transfer funds in the account to another account (including an account at another branch of the Reporting NZFI or another financial institution),
- whether there is a current "in-care-of" address or "hold mail" instruction for the account holder, and
- whether there is any power of attorney or signatory authority for the account.

However, **if** the Reporting NZFI's electronically searchable information does **not** include the above information it is - in addition to the electronic records search for foreign indicia - required to perform the following paper-based search for indicia of whether the account holder is a relevant foreign tax resident. The Reporting NZFI needs to review the current customer master file and, to the extent not contained in the current customer master file, the following documents associated with the account and that they have obtained within the last five years for any of the indicia of tax residence in a foreign jurisdiction referred to above:

- the most recent documentary evidence collected with respect to the account,
- the most recent account opening contract or documentation,
- the most recent documentation obtained by the Reporting NZFI pursuant to AML/KYC procedures or for other regulatory purposes,
- any power of attorney or signature authority forms currently in effect, and
- any standing instructions (other than with respect to a depository account) to transfer funds currently in effect.

If the Reporting NZFI's electronically searchable information does not include all the information described above, they are only required to perform the paper-based search with respect to the information described above that is not included in its electronically searchable information.

If no indicia of foreign tax residence are discovered in the enhanced review of high value accounts described above, and the account is not identified as held by a reportable person under the "relationship manager knowledge test" outlined further below, no further action is required until there is a change in circumstances that results in one or more indicia being associated with the account.

If any of the indicia of foreign tax residence are discovered in the enhanced review of high value accounts described above, or if there is a subsequent change in circumstances that results in one or more indicia being associated with the account, the Reporting NZFI must treat the account holder as a resident for tax purposes of each foreign jurisdiction for which an indicium is identified unless it elects to and is able to cure the indicia. The relevant "curing" procedures are generally based on obtaining a combination of self-certifications and documentary evidence to establish the account holder's residence.[96] Reporting NZFIs

[96] See pp51-52 of the document titled “Consolidated text of the Common Reporting Standard (2025)” for further detail.

should also refer to the guidance set out below for new individual account due diligence (s 5.4), for the details of who can provide such a self-certification, what form the self-certification can take, the process for validating self-certifications, and how self-certifications apply to dual residents (including where redocumented).

If a "hold mail" instruction or "in-care-of" address is discovered in the enhanced review of high value account described above and no other address and none of the other indicia of foreign tax residence are identified for the account holder, the Reporting NZFI must obtain from such account holder a self-certification or documentary evidence to establish their residence(s) for tax purposes.

If the Reporting NZFI cannot obtain such self- certification or documentary evidence, it must report the account as an undocumented account. An undocumented account can only apply to preexisting individual accounts (accounts opened on or before 30 June 2017)[97] if they meet the applicable criteria, i.e. a "hold mail" instruction or "in-care-of" address in a foreign jurisdiction if the Reporting NZFI does not have any other address on file for the account holder and has not been able to document the account.

The relationship manager tests

In addition to the electronic and paper record searches described above, the Reporting NZFI must treat as a reportable account any high value account assigned to a relationship manager (including any financial accounts aggregated with that high value account) if the relationship manager has actual knowledge that the account holder is a reportable person.

Section III(C)(9) of the CRS provides that a Reporting NZFI must implement procedures to ensure that a relationship manager identifies any change in circumstances relating to an account that it acts as relationship manager for. For example, if a relationship manager is notified that the account holder has a new mailing address in a foreign jurisdiction, the Reporting NZFI is required to treat the new address as a change in circumstances and apply further prescribed due diligence procedures to the account.

5.3.3.1 Information to collect

If a Reporting NZFI carries out these procedures, and identifies that the account holder is a relevant foreign tax resident, it will need to collect the account holder's TIN or functional equivalent and date of birth. However, this is subject to the same qualifications/exceptions outlined above for pre-existing lower value accounts.

5.3.3.2 Timing for completion of due diligence and reporting

Reporting NZFIs needed to complete their initial review and any reporting for accounts identified as reportable of pre-existing individual high-value accounts by 30 June 2018.

If a pre-existing individual account was not a high value account as of 30 June 2017, but becomes a high-value account as of 31 March of a subsequent period, the Reporting NZFI must complete the enhanced review procedures described above with respect to such an account within the reporting period following the period in which the account becomes a high-value account.

Once a Reporting NZFI applies the enhanced review procedures described above to a high-value account, they are generally not (absent any changes in circumstances –such as the addition of foreign indicia or as a result of the application of the relationship manager test) required to re-apply such procedures.

However, if the account is undocumented the Reporting NZFI should re-apply the procedures annually until the account ceases to be undocumented.

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[97] For those accounts that became financial accounts solely because of the CRS amendments of 1 April 2026, this applies to accounts opened on or before 31 March 2026.

5.4 New individual accounts[98]

In broad terms, a new individual account is an account that a Reporting NZFI opens on or after 1 July 2017[99] that is held by an individual. Section IV of the CRS states that a Reporting NZFI must carry out the following due diligence procedures for such accounts:

Step One: Obtaining self-certification	The Reporting NZFI obtains a self-certification "upon account opening" that allows it to determine the account holder's residence(s) for tax purposes.
Step Two: Validating self-certification	The Reporting NZFI confirms the reasonableness of such self-certification based on the information it has obtained in connection with the opening of the account including any documentation collected in accordance with AML/KYC procedures. This is known as the "reasonableness" test for "validating" the self-certification.

There is no de minimis due diligence exclusion. This is different to FATCA where there is a USD50,000 threshold exclusion for certain individual accounts.

A Reporting NZFI is able to rely on a self-certification that it has obtained for such accounts unless it knows or has reason to know that the self-certification is incorrect or unreliable. The following extract from the CRS commentary highlights how obtaining such valid self-certifications is a fundamental element of the CRS:[100]

> it is expected that jurisdictions have strong measures in place **to ensure that valid self-certifications are always obtained for New Accounts**. [Emphasis added]

A self-certification of an individual account holder's tax residence will only be valid if:

- it is signed or otherwise positively affirmed by the account holder or person with authority to sign for the account holder,
- it is dated at the latest at the date of receipt,
- it contains each account holder's
    - name,
    - address,
    - jurisdiction(s) of residence for tax purposes,
    - TIN or functional equivalent, in the absence of a TIN with respect to each foreign tax jurisdiction (subject to the exceptions outlined below), and
    - date of birth.

This guidance will now set out **how** and **when** such a self-certification can be obtained.

5.4.1 Form of self-certification

A self-certification must be signed or otherwise positively affirmed by any person authorised to sign on behalf of the account holder. A parent or guardian who opens an account for a child will be required to provide the self-certification on behalf of the child account holder.[101]

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[98] A Reporting NZFI is also able to choose to use these procedures for pre-existing individual accounts.
[99] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an individual as of or after 1 April 2026 (i.e. such accounts will be new individual accounts). See appendix 10 for further detail.
[100] See p 57 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[101] A new self-certification is not required merely when such a child comes of age.

A self-certification will be considered to be positively affirmed if the person making the self-certification provides the Reporting NZFI with an unambiguous acknowledgement that it agrees with the representations made through the self-certification. In all cases the affirmation should be recorded by the Reporting NZFI (e.g. for an oral self-certification, a voice recording or digital footprint, so a Reporting NZFI can demonstrate that the self-certification was positively affirmed).[102]

A self-certification may be obtained in any manner and in any form, i.e. in writing, electronically or orally. The only requirement is that the self-certification contains all the required information and is signed or positively affirmed.

Reporting NZFIs are required to keep records of the self-certifications obtained. The Reporting NZFI is not required to collect/keep this information in a single place provided that they have a record of such self-certifications that is in a form that they are able to be provide to Inland Revenue on request.

Reporting NZFIs are also required to keep records of the process followed to obtain self-certifications, and any failure to obtain a self-certification. This requirement would apply for both pre-existing and new accounts. The recording threshold for new accounts would be where there is a demonstrated intent to open an account e.g. where a customer commences the customer on-boarding process by starting to fill out either an on-line or paper application form for a Reporting NZFI, but without providing the CRS self-certification[103]. The information that a Reporting NZFI should keep in such circumstances as a record of a failure to obtain such a self-certification should cover when the self-certification was requested, the fact that the request(s) were not met, and the identification and address information that the NZFI was able to obtain to the extent that it has been able to obtain such information. A Reporting NZFI is able to keep this information in any form, as long as the information is able to be provided to Inland Revenue upon request.

5.4.2 Obtaining a valid self-certification on "account opening"

Reporting NZFIs are required to obtain a valid self-certification upon account opening that allows it to determine the account holder's residence(s) for tax purposes. "Day one", in this context, would be when the Reporting NZFI takes the first steps to materially progress the account opening process. It is accepted that a Reporting NZFI may not be able to immediately obtain a complete and valid self-certification from a person wanting to open an account (for example, the person may not have their TIN with them when they seek to open an account). However, a Reporting NZFI can generally make the opening of an account contingent on first obtaining a valid self-certification i.e. the Reporting NZFI can generally decide not to take steps to materially progress the account opening process until it obtains a self-certification. This is the most efficient way for a Reporting NZFI to ensure it meets the expectation in the CRS that it always obtains valid self-certifications for new accounts.

Inland Revenue considers that generally:

- a Reporting NZFI should seek to obtain self-certifications on "day one" of the account opening process, and
- a Reporting NZFI must obtain a valid self-certification upon account opening or decline to open the account.

The Reporting NZFI should not take material steps to progress the account opening process – such as accepting deposits – before obtaining the requisite self-certification.

While as a general rule a self-certification must be obtained on the day of the account opening, there may be a limited number of circumstances, where due to the specificities of a business sector it is not possible

[102] See p 59 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[103] This could be compared with where a Reporting NZFI merely enters into a 'conversation' with a potential client but this does not progress beyond providing some initial information about types of accounts – which would not be treated as a failure to obtain self-certification in the requisite sense that the Reporting NZFI would need to keep a record of.

to obtain a self-certification on 'day one' of the account opening process. For example, this may be the case where an insurance contract has been assigned from one person to another, where an account holder changes as a result of a court order, where a newly created company is in the process of obtaining a TIN or where an investor acquires shares in an investment trust on the secondary market. In addition, it is acknowledged that, even where a self-certification is obtained at account opening, **validation** of the self-certification may not always be completed on the day of the account opening (for example, in circumstances where validation is a process undertaken by a back-office function within the Reporting NZFI). In these circumstances, the self-certification must be both obtained and validated by the Reporting NZFI as quickly as feasible, and in any case within a period of 90 calendar days and in time to be able to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened.[104]However, a Reporting NZFI should only adopt such a "day two" validation/reasonableness process if they have the functionality to freeze or close those accounts where they are unable to confirm the reasonableness of such self-certifications, within 90 days and no later than the deadline for reporting. This is because reporting NZFIs have obligations to take reasonable care when carrying out their CRS due diligence obligations and have specific obligations to always obtain valid self-certifications for new accounts as set out above.

In **exceptional** circumstances where there is a **temporary** lack of self-certification for a new account where a self-certification cannot be obtained by a Reporting NZFI in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened, the Reporting NZFI must apply the due diligence procedures for preexisting accounts (referred to above), until such self-certification is obtained and validated. However, such accounts should still be reported as new accounts.[105] As set out further below at s 6 of this guidance, Reporting NZFIs are also required to report whether a valid-self-certification has been obtained for a reportable account for each reportable person and are required to keep a record of any instances where it has not been able to obtain a valid self-certification for an account.

One example of such exceptional circumstances (i.e. where there is a temporary lack of self-certification for a new account) could be if a Reporting NZFI has undertaken strong measures such as freezing an account (as set out above), but has still not been able to obtain a valid self-certification for that account. There may also be other exceptional circumstances where there is a temporary lack of self-certification for a new account. For example, there may be a natural disaster, pandemic, or systems outage, or other circumstance outside a Reporting NZFI's control, that means that, despite having reasonable due diligence steps and processes, a Reporting NZFI is not able to obtain and validate a self-certification in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened. This will depend on the particular circumstances. However, given that the "day two" back-office function process already affords a 90-day window for obtaining and validating self-certifications, and also taking into account the requirement that the circumstances be "exceptional", there would be a high bar before there will be such **exceptional** circumstances where there is a **temporary** lack of self-certification for a new account.

[104] See p 57 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[105] See p 77 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Validating/Confirming the reasonableness of a self-certification - Examples

Examples of when a Reporting NZFI would have "reason to know" that a self-certification is unreliable (i.e. where the self-certification would not pass the above-mentioned validation test) are as follows:

Incomplete	If the self-certification is incomplete with respect to any item on the self-certification that is relevant to the account holder's claims.
Inconsistencies	If the self-certification contains any information which is inconsistent with the account holder's claims. For example, the self-certification may be inconsistent with other information obtained in connection with the opening of the account, including any documentation obtained pursuant to AML/KYC procedures.
Conflicts	If there is information in the Reporting NZFI's account files that conflicts with or calls into question the account holder's self-certification.

The emphasis is not on the Reporting NZFI needing to conduct a legal analysis of the account holder's tax residency. Instead, this "reasonableness" validation (i.e. step two set out above) is more focused on the Reporting NZFI having cross-checks that look for "flags" that the self-certification may be incorrect, incomplete, or otherwise unreliable and making further inquiries if necessary. These validation requirements apply to CRS self-certifications for all types of accounts.

In this respect, the OECD has provided the following guidance in an answer to a "frequently asked question":[106]

> A Financial Institution is not required to provide customers with tax advice or to perform a legal analysis to determine the reasonableness of self-certification. Instead, as provided in the Standard, for New Accounts the Financial Institution may rely on a self-certification made by the customer unless it knows or has reason to know that the self-certification is incorrect or unreliable, (the "reasonableness" test), which will be based on the information obtained in connection with the opening of the account, including any documentation obtained pursuant to AML/KYC procedures. The Standard provides examples of the application of the reasonableness tests (s IV, A, and the associated Commentary).

The CRS commentary sets out the following example of a circumstance that may call into question the reasonableness of a self-certification and the steps that can be taken.[107] In confirming the reasonableness of a self-certification Reporting NZFIs may be confronted with instances where an account holder has provided documentation issued under a citizenship or residence by investment scheme (CBI/RBI scheme), which allows a foreign individual to obtain citizenship or temporary or permanent residence rights on the basis of local investments or against a flat fee. Certain high-risk CBI/RBI schemes may be potentially misused to circumvent reporting under the CRS. Such potentially high-risk CBI/RBI schemes are those that give a taxpayer access to a low personal income tax rate on offshore financial assets and do not require significant physical presence in the jurisdiction offering the CBI/RBI scheme.

The OECD endeavours to publish information on such potentially high-risk CBI/RBI schemes on its website. The current information in relation to such schemes is set out at oecd.org/en/topics/sub-issues/international-standards-on-tax-transparency/residence-citizenship-by-investment.html#what-is-rbi-cbi

It is expected that Reporting NZFIs will rely on this OECD-published information in making the determination of whether they have a reason to know that a self-certification that they have obtained is incorrect or unreliable. In particular, where the Reporting NZFI has doubts as to the tax residency(ies) of an account holder related to the fact that such person is claiming residence in a jurisdiction offering a potentially high-risk CBI/RBI scheme, the Reporting NZFI should not rely on

[106] oecd.org/en/topics/international-standards-on-tax-transparency
[107] See pp 74-75 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

such self-certification until it has taken further measures to ascertain the tax residency(ies) of such persons, including through raising further questions. Examples of such questions may include:

- whether the account holder has obtained residence rights under an CBI/RBI scheme,
- whether the account holder holds residence rights in any other jurisdiction(s),
- whether the account holder has spent more than 90 days in any other jurisdiction(s) during the previous year, and
- what jurisdictions has the account holder filed personal income tax returns in during the previous year.

Such further questions should be asked **as part of** the self-certification validation process and by complying with the time-frames for obtaining and validating self-certifications. The responses to these questions, accompanied by the relevant supporting documentation where applicable, should assist the Reporting NZFI in ascertaining whether the self-certification passes the reasonableness/validation test. The Reporting NZFI should keep a record of the self-certification and any responses received and other supporting documentation where applicable as part of the self-certification validation process. Reporting NZFIs are also required to keep records of when they have failed to obtain valid self-certifications. This will assist with monitoring and verifying compliance with the CRS.

Dual Residents

There has also been an amendment to the CRS due diligence procedures as of 1 April 2026 for dual residents, which requires dual residents to self-certify all of their jurisdictions of tax residence i.e. tie-breakers in Double Tax Agreements (DTAs) do **not** apply. Therefore, an account holder that is tax resident in more than one jurisdiction will, subject to the following, need to disclose all of these jurisdictions in their self-certification. The Reporting NZFI that maintains the account, in turn, must treat the account as being held by a relevant foreign tax resident in respect of each foreign jurisdiction. However, dual resident account holders may rely on the tiebreaker rules contained in DTAs if applicable to solve cases of double residence for determining their residence for tax purposes, **until 1 April 2026**. Following this date, dual residents that are (re-) documented may not rely on tiebreaker rules and will be expected to declare all their jurisdictions of residence.[108]

Example 1
Reporting NZFI maintains an account that was opened by Rob on 10 April 2026. Rob self-certified as part of the account opening process that they are tax resident in both New Zealand and Australia under the domestic law in these countries. Rob will **not** be able to rely on any tie-breaker rules in the New Zealand/Australia DTA. Therefore, the account is held by a relevant foreign tax resident (i.e. Rob is tax resident in Australia – under the domestic law in Australia), and Australia is a reportable jurisdiction, so the account is a reportable account.

[108] See p 58 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 2
Reporting NZFI maintains an account that was opened by Liz on 2 February 2024. Liz self-certified as part of the account opening process that they are tax resident under the domestic law of both New Zealand and Australia, but as a result of the tie-breaker in the New Zealand/Australia DTA they tie-break to being only tax resident in New Zealand. However, on 22 May 2026 there is a change of circumstances that causes Reporting NZFI to be required to do further due diligence on the account. Liz is still tax resident (at that time) in both New Zealand and Australia under the domestic law in these countries. Liz is required to declare (when redocumented as part of this further due diligence) to the Reporting NZFI that they are tax resident in both of these jurisdictions. Therefore, the account is held by a relevant foreign tax resident (i.e. Liz is tax resident in Australia), and Australia is a reportable jurisdiction, so the account is a reportable account.[109]

Exceptions – where TINs do not need to be obtained

The Reporting NZFI is not required to obtain the foreign tax resident account holder's TIN or functional equivalent in either of the following circumstances:

- The account holder has not been issued with a TIN or functional equivalent. For example, if:
    - the account holder's jurisdiction of tax residence does not issue TINs or a functional equivalent, or
    - the account holder's jurisdiction of tax residence has not issued a TIN or a functional equivalent to them. For example, the account holder may be a child that has not been issued a TIN.
- The account holder's jurisdiction of tax residence does not require the collection of the TIN issued by such jurisdiction.

The OECD's AEOI portal[110] contains the rules that jurisdictions adopt for issuing TINs or functional equivalent, in the absence of a TIN and the format of such TINs. The information on this portal will assist Reporting NZFIs in carrying out their due diligence and determining when they need to collect TINs.

If an account holder claims not to have either a TIN or a functional equivalent this statement should be part of the self-certification collected for the account, unless the Reporting NZFI reasonably determines, based on information on the OECD's AEOI portal, that the person would not have either a TIN or functional equivalent for the relevant foreign jurisdiction.

A Reporting NZFI is not able to rely on a self-certification that they know or have reason to know is incorrect or unreliable. The TIN information is a fundamental part of the self-certification. Therefore, a Reporting NZFI should carefully scrutinise a claim by a foreign tax resident account holder (in a self-certification) that they do not have a TIN or functional equivalent against the information set out on the AEOI portal to determine the reasonableness of the account holder's claim i.e. to reach a reasonable view that the self-certification is in fact complete and valid. The Reporting NZFI can adopt a "day two" process when carrying out this validation process. The Reporting NZFI may need to ask the account holder further questions to determine the reasonableness of the account holder's claims. The Reporting NZFI is not required to go beyond the information on the AEOI portal in this regard.

For example, the Reporting NZFI may check the information on the AEOI portal and determine, based on this information, that the account holder is from a jurisdiction that always issues TINs to their residents.

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[109] If the Reporting NZFI is unable to obtain a valid self-certification from Liz as part of such change in circumstance procedures they would need to report that they have not obtained a valid self-certification for the account. This reporting requirement is outlined in detail at s 6 of this guidance.
[110] oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/#d.en.347759.

Therefore, the Reporting NZFI would reasonably determine that the account holder has a TIN that they should be providing and that the Reporting NZFI is required to collect.

A Reporting NZFI is generally not required to confirm the format and other specifications of a TIN with the information on the AEOI portal. Reporting NZFIs may nevertheless wish to do so to enhance the quality of the information collected and minimise the administrative burden associated with any follow-up concerning reporting of an incorrect TIN.

Notwithstanding the general rule expressed above, a Reporting NZFI should be familiar with, and check for, the validity of TINs from another jurisdiction in which the Reporting NZFI or a related entity operates in the following circumstances:

Simple or standard rules	If there are simple or standard rules for TINs in that jurisdiction such as the structure or number of digits. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.
IT Systems	If the IT systems used across the jurisdictions are shared or sufficiently similar that the validation task would not be onerous. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.

Inland Revenue will monitor international expectations on the use of the TIN information on the OECD's AEOI portal and update this guidance if necessary.[111]

Example 1
Bob wants to open a depository account with a Reporting NZFI bank. The Reporting NZFI informs Bob that he needs to provide a self-certification of his tax residency before they will open the account. Bob says he does not want to provide such a self-certification. However, Bob still wants to deposit funds into the account. The Reporting NZFI decides not to open the account and informs Bob that it will not open the account until Bob provides a self-certification. Bob never provides a self-certification and the account is never opened. Reporting NZFI keeps a record of Bob's failure to provide a self-certification.
In these circumstances, the Reporting NZFI would not have obtained a self-certification from Bob. However, the Reporting NZFI has not opened the account or indeed taken the first material steps to progress the account opening process. This can be compared with if the Reporting NZFI had accepted a deposit from Bob.
Therefore, the Reporting NZFI has not breached the CRS requirement to obtain a self-certification on account opening. The Reporting NZFI did not obtain a self-certification. However, the Reporting NZFI did not progress the account opening procedures in a material way. Therefore, the Reporting NZFI did not breach its obligations.

[111] This point applies to the CRS guidance for TIN collection for all types of accounts.

Example 2

Clive wants to open a depository account with a Reporting NZFI bank. The Reporting NZFI informs Clive that he needs to provide a self-certification of his tax residency before it will open the account. Clive says he does not want to provide such a self-certification. However, Clive still wants to deposit funds into the account. The Reporting NZFI decides not to open the account and informs Clive that it will not open the account until Clive provides a self-certification. Reporting NZFI assigns a reference number to Clive for administrative purposes in case Clive subsequently provides the requisite self-certification in order for the account to be opened. Clive never provides a self-certification and the account is never opened. Reporting NZFI keeps a record of Clive's failure to provide a self-certification.

In these circumstances, the Reporting NZFI would not have obtained a self-certification from Clive. However, the Reporting NZFI has not opened the account or indeed taken the first material steps to progress the account opening process. This can be compared with if the Reporting NZFI had accepted a deposit from Clive.

Therefore, the Reporting NZFI has not breached the CRS requirement to obtain a self-certification on account opening. The Reporting NZFI did not obtain a self-certification. However, the Reporting NZFI did not progress the account opening procedures in a material way. Therefore, the Reporting NZFI did not breach its obligations.

Example 3

Daniel tries to open a depository account with a Reporting NZFI. The Reporting NZFI informs Daniel that he needs to provide a self-certification of his tax residency. Daniel says that he is a foreign tax resident from jurisdiction A but that he cannot complete the self-certification at that stage as he does not have his TIN with him. Reporting NZFI still allows Daniel to progress account opening procedures and deposit $50,000 in the account. Reporting NZFI subsequently endeavours to obtain Daniel's completed self-certification including his TIN. However, the Reporting NZFI is never able to obtain the TIN and Daniel does not provide a reasonable reason for not providing a TIN. The AEOI portal also indicates that jurisdiction A issues TINs to all residents.

The Reporting NZFI would have breached its CRS requirement to obtain a self-certification on account opening. This is because "day one" of the account opening process occurred, Daniel was allowed to deposit funds in the account (a material step in advancing the account opening process), and the Reporting NZFI has failed to obtain a completed self-certification from Daniel.

The Reporting NZFI would potentially be liable for a penalty for this failure. The Reporting NZFI would also need to continue to try to obtain a completed and validated self-certification from Daniel. If it is unsuccessful, the reasonable course of action may be freeze or to close the account. This is consistent with the expectation outlined above that Reporting NZFIs will always obtain a valid self-certification for new accounts.

Example 4

Erin seeks to open an account with a Reporting NZFI. The Reporting NZFI asks Erin for a self-certification to carry out its due diligence on the account. Erin self-certifies that New Zealand is the only jurisdiction that she is tax resident in, but asks for all her mail to be sent to a U.K. Residential address. Erin's self-certification includes all of the relevant information. The Reporting NZFI seeks to validate Erin's self-certification - before opening the account - as part of a "day 1 process". The Reporting NZFI notes that the fact that Erin has asked for all her mail to be sent to a U.K. residential address is a "flag" that indicates that Erin could in fact be tax resident in the U.K. (i.e. a person is often tax resident in the jurisdiction where they reside).

This means that the Erin's self-certification is potentially unreliable. The Reporting NZFI should ask Erin further questions to determine whether or not the self-certification is reliable. The Reporting NZFI should generally not open the account unless it is able to obtain a valid self-certification.

Example 5
A Reporting NZFI has obtained a self-certification from Fred upon account opening. Fred self-certifies that New Zealand is the only jurisdiction that he is tax resident in. Fred's self-certification includes all of the requisite information. The Reporting NZFI proceeds with the account opening process. The Reporting NZFI has a "day two" validation process for self-certifications as part of a "back office" process. As part of this validation process, the Reporting NZFI identifies that the information it collected from Fred as part of the account opening specifies a telephone number, signatory authority and standing instructions to transfer funds to an account maintained in Country B (a foreign jurisdiction).
The self-certification is potentially unreliable. The Reporting NZFI would be expected to ask Fred further questions to determine whether or not the self-certification is reliable. If the Reporting NZFI is unable to obtain a validated self-certification from Fred in time for the end of the reporting period they should consider whether the reasonable step is to freeze or close Fred's account. In this respect, the Reporting NZFI should be mindful of the OECD's expectation (as outlined in a "frequently asked question" on the AEOI portal) that:[112] ....it is expected that jurisdictions have strong measures in place to ensure that valid self-certifications are always obtained for new accounts.....**In all cases**, Reporting Financial Institutions shall ensure that they have obtained and validated the self-certification in time to be able to meet their due diligence and reporting obligations with respect to the reporting period during which the account was opened. [Emphasis added]
As set out above, a Reporting NZFI should only adopt such a "day two" validation/reasonableness process if they have the functionality to freeze or close those accounts where they are unable to confirm the reasonableness of such self-certifications, within 90 days and no later than the deadline for reporting. This is because reporting NZFIs have obligations to take reasonable care when carrying out their CRS due diligence obligations and have specific obligations to always obtain valid self-certifications for new accounts as set out above.

5.4.3 Changes in circumstances

If a Reporting NZFI maintains a new individual account, obtains a self-certification of the account holder's residence(s), and there is a change in circumstances[113] that subsequently causes the Reporting NZFI to know, or have reason to know, that the original self-certification is incorrect or unreliable, it cannot rely on the original self-certification and must carry out further due diligence on the account and obtain a valid self-certification (i.e. a further self-certification) that establishes the account holder's residence(s) for tax purposes.

A change in circumstances affecting a self-certification will terminate the validity of the self-certification with respect to the information that is no longer reliable, until the information is updated. A self-certification becomes invalid on the date that the Reporting NZFI holding the self-certification knows or has reason to know that circumstances affecting the correctness of the self-certification have changed. However, a Reporting NZFI may choose to treat a person as having the same status that it had prior to the change in circumstances until the earlier of 90 days from the date that the self-certification became invalid due to the change in circumstances, the date that the validity of the self-certification is confirmed, or the date that a new self-certification is obtained. If the Reporting NZFI cannot obtain a confirmation of the validity of the original self-certification or a valid self-certification during such 90-day period, the Reporting NZFI must treat the account holder as resident of the jurisdiction in which the account holder claimed to

112 oecd.org/en/topics/international-standards-on-tax-transparency
113 If a Reporting NZFI is subject to AML/KYC procedures that are amended the Reporting NZFI must use any additional information obtained under the amended AML/KYC procedures to determine whether there has been a change of circumstances in relation to the identity and/or reportable status of account holders (see p75 of the document titled "Consolidated text of the Common Reporting Standard (2025).")

be resident in the original self-certification and the jurisdiction in which the account holder may be resident as a result of the change in circumstances.[114]

Example 6
A Reporting NZFI obtains a self-certification on account opening from George that he is tax-resident in New Zealand.
Three years after account opening, George rings the Reporting NZFI to add a foreign mailing address to the account. This is a change in circumstances that calls into question George's original self-certification. The Reporting NZFI would need to re-determine the status of the account by obtaining a valid self-certification for George.

5.5 Pre-existing entity accounts

A pre-existing entity account is an account that was maintained by a Reporting NZFI as of 30 June 2017[115] that is held by an entity (for example, held by a trust, company or partnership). Reporting NZFIs are required to conduct the following due diligence steps for pre-existing entity accounts:

Step One	Determining whether the entity is a relevant foreign tax resident.
Step Two	Determining whether the entity is a passive NFE.
Step Three	If the entity is a passive NFE (step two), determining whether it has any controlling persons that are relevant foreign tax residents.

A further account opened by a pre-existing entity customer on or after 1 July 2017[116] is also treated as a pre-existing entity account in the same circumstances outlined above for pre-existing individual accounts in s 5.3 of this guidance.

However, there is a de minimis exception that applies. If a pre-existing account has a balance or value that did not exceed USD250,000 as of 30 June 2017 it will not be subject to due diligence unless it exceeds USD250,000 on any subsequent 31 March. This de minimis exception is similar to the FATCA exclusions for such accounts. A Reporting NZFI is able to choose to disregard this de minimis exception and review all of its pre-existing entity accounts or a clearly identified group of such accounts irrespective of the balance or value of the account.

The following guidance applies to those pre-existing accounts where the de minimis exception does not apply either because the balance or value of the account is above the threshold or because the Reporting NZFI has chosen to disregard the threshold.

5.5.1 Whether the entity is a relevant foreign tax resident (step one)

The Reporting NZFI first needs to determine whether the entity account holder is a relevant foreign tax resident.

[114] See p 60 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[115] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an entity as of 31 March 2026 (i.e. such accounts will be pre-existing entity accounts). For such accounts, the relevant initial date for determining the balance or value of the account (for threshold purposes), should be read as referring to the balance or value as of 31 March 2026 (i.e. instead of 30 June 2017). See appendix 10 for further detail.
[116] For accounts that became financial accounts solely due to the CRS amendments on 1 April 2026 this would apply to certain additional accounts opened by a pre-existing customer on or after 1 April 2026. Please refer to appendix 10 for further detail.

Reviewing information maintained for regulatory or customer relationship purposes

The Reporting NZFI is required to review information it maintains for regulatory or customer relationship purposes (including information collected pursuant to AML/KYC procedures) to determine the account holder's tax residence. For these purposes, information indicating the account holder's residence includes a place of incorporation or organisation, or an address in a foreign jurisdiction.[117]

If the Reporting NZFI determines that the entity account holder is a relevant foreign tax resident based on such information it should, subject to the qualifications/exceptions outlined further below, collect the account holder's TIN or functional equivalent in the absence of a TIN. It is assumed, for the purposes of the following, that the Reporting NZFI will already have the entity's name and address in its records. A full list of the information that a Reporting NZFI needs to collect and, if the account is a reportable account, report is set out in s 6 of this guidance.

Furthermore, if the information indicates that the account holder is a reportable person, the Reporting NZFI must treat the account as a reportable account unless it obtains a self-certification from the account holder (see further below), or reasonably determines based on information in its possession or that is publicly available (see further below), that the account holder is **not** a reportable person.

Reviewing publicly available information

The relevant "publicly available information" that can be used to determine an account holder's status includes information in a publicly accessible register maintained or authorised by an authorised government body.[118]

Reviewing documentary evidence

A Reporting NZFI is also able to use, as documentary evidence in its possession to reasonably determine the account holder's status, any classification in its records for the account holder that was determined based on a standardised industry coding system recorded consistent with its normal business practices for purposes of AML/KYC procedures or another regulatory purpose other than for tax purposes. This is provided that it was implemented by the Reporting NZFI prior to the date used to classify the account.

Seeking a self-certification whether the entity account holder is not a reportable person

As set out above, if the information maintained indicates that the account holder is resident in a reportable jurisdiction, then, the Reporting NZFI must treat the account as a reportable account unless it obtains a self-certification from the account holder, or reasonably determines based on information in its possession or that is publicly available, that the account holder is **not** a reportable person.

[117] For example, in the case of a trust account holder, the address of the trustee in a foreign jurisdiction will be relevant indicia.
[118] See p 64 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

A self-certification of the account holder's tax status would only be valid if:[119]

- it is signed or otherwise positively affirmed by the account holder or person with authority to sign for the account holder,
- it is dated at the latest at the date of receipt,
- it contains each account holder's
    - name (i.e. the name of the entity),
    - address,
    - jurisdiction(s) of residence for tax purposes,[120] and
    - TIN or functional equivalent in the absence of a TIN with respect to each foreign tax jurisdiction (subject to various qualifications/exceptions - outlined below).

A self-certification may also contain the account holder's status (i.e. financial institution,[121] passive NFE, active NFE – as expanded on further below). The Reporting NZFI, when requesting such a self-certification, is expected to provide the account holder with the information that is relevant to them determining their status (for example, the definitions of "active NFE", "passive NFE", and "financial institution").

Important: One of the circumstances when an entity account holder will **not** be a reportable person is if they are a financial institution. Please note that the mere assignment of a FATCA Global Intermediary Identification Number (GIIN) to an entity account holder is only one indicator that the particular entity may be a financial institution for reporting purposes under the CRS. Indeed, in carrying out the required due diligence, a Reporting NZFI **should not rely solely** on the FATCA GIIN list to support a self-certification received from an entity claiming to be a financial institution.

In confirming the reasonableness of a self-certification, Reporting NZFIs must look beyond a GIIN to ensure an entity claiming to be a financial institution (i.e. an entity self-certifying that they are a financial institution, so not a reportable person) is indeed a financial institution for CRS purposes and to ensure that all self-certifications are correct and complete. This is in line with the CRS due diligence requirement that Reporting NZFIs can only rely on self-certifications where they do **not** know or have reason to know that such self-certifications are incorrect or unreliable.

Qualifications – transitional period for obtaining TINs

A Reporting NZFI that identifies that an account holder is a relevant foreign tax resident, and does not otherwise have either the account holder's TIN or functional equivalent in its records, will, subject to the following exceptions, be required to use reasonable efforts to obtain such information by the end of the second reporting period following the period in which the account holder is identified as being a reportable person. Reporting NZFI's are also required to use reasonable efforts to obtain the TIN(s) with respect to preexisting accounts whenever it is required to update the information relating to the preexisting account pursuant to New Zealand domestic AML/KYC Procedures (i.e. if it has not otherwise obtained such TIN information).[122]

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[119] The form of such a self-certification is broadly in line with that set out above at s 5.4 of this guidance in relation to new individual accounts.

[120] There has also been an amendment to the CRS due diligence procedures as of 1 April 2026 for dual residents, which requires dual residents to self-certify all of their jurisdictions of tax residence i.e. tie-breakers in Double Tax Agreements do **not** apply (see s 5.4 of this guidance for further detail – including how this also applies to dual residents that are (re-) documented).

[121] Pursuant to subparagraph D(2)(vi) of s VIII of the CRS, financial institutions are excluded from the term "reportable person" as they will do their own reporting or are otherwise considered to present a low risk of being used to evade tax. They are excluded from reporting, except for investment entities described in subparagraph A(6)(b) that are not participating jurisdiction financial institutions, which are treated as passive NFEs and reported.

[122] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Exceptions – where TINs are not required to be obtained

The Reporting NZFI is not required to obtain the account holder's TIN or functional equivalent in the following circumstances:

- The account holder has not been issued with a TIN or a functional equivalent. For example, if:
    - the account holder's jurisdiction of tax residence does not issue TINs or a functional equivalent, or
    - the account holder's jurisdiction of tax residence has not issued a TIN or a functional equivalent to them.
- The account holder's jurisdiction of tax residence does not require the collection of the TIN issued by that jurisdiction.

The OECD's AEOI portal[123] contains the rules that jurisdictions adopt for issuing TINs, or functional equivalent in the absence of a TIN, and the format of such TINs. The information on this portal will assist Reporting NZFIs in carrying out their due diligence and determining when they need to collect TINs.

If a Reporting NZFI identifies that an account holder is a relevant foreign tax resident and the account holder claims not to have either a TIN or functional equivalent the Reporting NZFI should refer to the AEOI portal for information about whether the account holder's jurisdiction(s) of tax residence would have issued a TIN or functional equivalent to them. This will assist the Reporting NZFI to determine the reasonableness of the account holder's claim.

If an account holder claims not to have a TIN or a functional equivalent this statement should be part of any self-certification collected for the account, unless the Reporting NZFI reasonably determines, based on information on the OECD's AEOI portal, that the person would not have either a TIN or functional equivalent for the relevant foreign jurisdiction.

The Reporting NZFI may need to ask the account holder further questions to determine the reasonableness of their claims. The Reporting NZFI is not required to go beyond the information on the AEOI portal in this regard.

For example, the Reporting NZFI may check the information on the AEOI portal and determine, based on this information, that the account holder is from a jurisdiction that always issues TINs to their residents. Therefore, the Reporting NZFI would reasonably determine that the account holder has a TIN that they should be providing and that the Reporting NZFI is required to collect.

A Reporting NZFI is generally not required to confirm the format and other specifications of a TIN with the information on the AEOI portal. Reporting NZFIs may nevertheless wish to do so to enhance the quality of the information collected and minimise the administrative burden associated with any follow-up concerning reporting of an incorrect TIN.

Notwithstanding the general rule expressed above, a Reporting NZFI should be familiar with, and check for, the validity of TINs from another jurisdiction in which the Reporting NZFI or a related entity operates in the following circumstances:

[123] oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/#d.en.347759.

Simple or standard rules	If there are simple or standard rules for TINs in that jurisdiction such as the structure or number of digits. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.
IT Systems	If the IT systems used across the jurisdictions are shared or sufficiently similar that the validation task would not be onerous. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.

Inland Revenue will monitor international expectations on the use of the TIN information on the OECD's AEOI portal and update this guidance if necessary.[124]

5.5.2 Whether the entity account holder is a passive non-financial entity (step two)

A Reporting NZFI that maintains a pre-existing entity account is also required to determine:

- whether the account holder is a passive NFE, and
- if the account holder is a passive NFE, whether any of its controlling persons are relevant foreign tax residents.

The Reporting NZFI will need to carry out these due diligence processes irrespective of whether the entity account holder is a foreign tax resident.

If an entity account holder is not a financial institution it will by default be a NFE.

NFEs

There are also two categories of NFE; active NFEs and passive NFEs. A NFE that is not an active NFE will by default be a passive NFE. The definitions of NFE, active NFE and passive NFE are outlined in full in appendix 4.

The following matters are relevant when determining whether a NFE is a "passive NFE" (and, therefore, subject to the above "look-through" rule). In broad terms, a passive NFE will generally cover an entity that:

- is not a financial institution, and
- derives predominantly (50% or more) passive income and/or has assets that predominantly produce, or are held for, the production of passive income.

However, there are some exceptions to this. For example, a registered charity that is a NFE would generally be an active NFE even if it derives predominantly passive income. Furthermore, a managed investment entity that is tax resident in a jurisdiction that is not a participating jurisdiction is deemed to be a passive NFE.

[124] This point applies to the guidance for TIN collection for all types of accounts.

A key element that feeds into whether an NFE is a passive NFE is the definition of "passive income." "Passive income" is defined for CRS purposes in s 3(1) of the TAA as:[125]

> passive income, in the application of the FATCA agreement or the CRS applied standard to a person or entity for a period, means an amount that is not income from a transaction entered into in the ordinary course of the business of a dealer in financial assets, including relevant crypto-assets and that is—
>
> a. a dividend;
>
> b. interest;
>
> c. income equivalent to interest;
>
> d. rent or a royalty, other than rent or a royalty derived in the active conduct of a business conducted, partly or wholly, by employees of the person or entity;
>
> db. income derived from relevant crypto-assets;
>
> e. an annuity;
>
> f. for financial assets, including relevant crypto-assets that give rise to amounts included under sections (a) to (e), the amount by which gains from the sales or exchanges of the financial assets in the period exceed losses from the sales or exchanges;
>
> g. the amount by which gains from the transactions in financial assets, including relevant crypto-assets in the period exceed losses from the transactions;
>
> h. the amount by which gains from the foreign currency transactions in the period exceed losses from the transactions;
>
> i. the amount by which gains from the swaps in the period exceed losses from the swaps;
>
> j. an amount received under a cash value insurance contract.

For these purposes, the definition of "income" in s BD 1(1) of the ITA will apply to the extent that a type of passive income is not defined in the CRS. For example, passive income for CRS purposes includes a dividend. The expression "dividend" is not defined for CRS purposes, so the "dividend" definition in s CD 3 of the ITA would apply.

For some entity account holders the Reporting NZFI may be able to reasonably determine the account holder's status (for example, active NFE or a financial institution[126]) on the basis of available information in the Reporting NZFIs possession or that is publicly available.

However, the Reporting NZFI will generally need to obtain a self-certification from the account holder to determine whether the account holder is a passive NFE. The Reporting NZFI, when requesting such a self-certification, is expected to provide the account holder with the information that is relevant to them determining their status (for example, the definitions of "active NFE", "passive NFE", and "financial institution").

Important:

If a Reporting NZFI has not been able to determine that an entity account holder is an active NFE or financial institution (i.e. on the basis of a valid self-certification or reasonable determination, as set out above), the NZFI must treat the account holder as a passive NFE.

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[125] The references in the definition of "passive income" to "relevant crypto-assets" apply from 1 April 2026.

[126] Pursuant to subparagraph D(2)(vi) of s VIII of the CRS, financial institutions are excluded from the term "reportable person" as they will do their own reporting or are otherwise considered to present a low risk of being used to evade tax. They are excluded from reporting, except for investment entities described in subparagraph A(6)(b) that are not participating jurisdiction financial institutions, which are treated as passive NFEs and reported.

A Reporting NZFI must also maintain records of the steps undertaken and any evidence relied upon for the performance of its due diligence. This would include maintaining records of the information used to determine that account holder's status (i.e. active NFE, passive NFE, of financial institution).

5.5.3 When an entity account holder is a passive non-financial entity – identifying controlling persons (step three)

If a Reporting NZFI has identified that a pre-existing entity account it maintains is held by a passive NFE it is then required to:

- identify the entity's controlling persons, and
- determine whether any of the entity's controlling persons are relevant foreign tax residents.

Section VIII(D)(6) of the CRS defines "controlling persons" as meaning the natural persons who exercise control over the entity, with some elaboration outlined below on how this would apply to trusts. The term "controlling persons" must be interpreted in a manner consistent with the Financial Action Task Force Recommendations. For the purposes of identifying the controlling persons of a passive NFE pre-existing account, a Reporting NZFI may rely on information collected and maintained pursuant to AML/KYC procedures.

This guidance will now outline how these principles will apply to the following types of passive NFEs - legal persons, and trusts and other legal arrangements:

Legal persons	For a passive NFE that is a legal person, the term "controlling person" means the natural person(s) who exercise control over the entity. "Control" over an entity is generally exercised by the natural person(s) who ultimately has a controlling ownership interest in the entity. The CRS commentary does not explicitly define "controlling ownership interest" for legal persons, stating only that this is usually identified on the basis of a threshold such as 25% ownership.[127] Under New Zealand law, a 25% threshold is prescribed in AML/CFT legislation. See Regulation 5 of the AML/CFT (definitions) Regulations 2011, information on which can be found at fma.govt.nz/library/guidance-library/amlcft-beneficial-ownership-guideline/. Where no natural person(s) exercises control through ownership interests, the controlling person(s) of the entity will be the natural person(s) who exercise control of the entity through other means. Where no natural person(s) is identified as exercising control of the entity, the controlling person(s) of the entity will be the natural person(s) who holds the position of senior managing official.
Trusts	In the case of a passive NFE trust, the term "controlling persons" mean the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or classes of beneficiaries and any other natural person(s) exercising ultimate effective control over the trust. In the case of legal arrangements other than a trust, the term means persons in equivalent or similar positions.

[127] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

The following points are relevant when determining whether persons connected with a pre-existing account held by a passive NFE **trust** are "controlling persons" of the trust:

Broad definition of controlling persons	The settlor(s),[128] the trustee(s), the protector(s) (if any), the beneficiary(ies)[129] or classes of beneficiaries of a trust must (subject to the following) always be treated as controlling persons of the trust, **irrespective of whether any of them exercises control over the trust**.[130] Furthermore, any other natural person that has ultimate effective control over the trust also needs to be treated as a controlling person of the trust. This is a broad definition of controlling persons for trusts. However, a Reporting NZFI can rely on the persons they have identified under AML/KYC procedures to determine the controlling persons of a pre-existing account held by a passive NFE trust for CRS purposes.
When a person connected to the trust is an entity	If a person connected to a trust - such as a trustee, settlor, protector, or beneficiary - **is an entity** the Reporting NZFI will need to identify the natural persons that control that entity.
Beneficiaries that are designated by characteristics or by class	For beneficiaries that are designated by characteristics or by class (i.e. as opposed to a specified/named beneficiary), a Reporting NZFI should obtain sufficient information concerning the beneficiary(ies) to satisfy it that it will be able to establish the identity of the beneficiary(ies) at the time of the pay-out or when the beneficiary(ies) intends to exercise vested rights. Therefore, that occasion will constitute a change in circumstances and will trigger the relevant procedures.[131]This could be relevant if, for example, a trust has a "children of the settlor" class of beneficiaries. A child within that class would not be a relevant controlling person that needs to be identified until they receive a distribution from the trust or intend to exercise vested rights. The Reporting NZFI should have procedures in place to identify when someone within a class of discretionary beneficiaries receives a distribution and, therefore, is a controlling person. This could include the Reporting NZFI having an arrangement with the trustee - supported by terms and conditions, where possible - that the trustee will notify the Reporting NZFI when it has made such a distribution. This arrangement could be through a service provider, third party, or intermediary if the Reporting NZFI does not have a direct customer relationship with the trustee or otherwise has some practical difficulties with entering into such an arrangement directly with the trustee.
A specified/named discretionary beneficiary	A specified/named discretionary beneficiary of a passive NFE trust will generally be a controlling person of the trust. However, a Reporting NZFI has the option under s s.185N(13) of the TAA of only treating such a beneficiary as being a controlling person of the trust if that person receives directly or indirectly a distribution. The meaning of "receives a distribution" in this context is when an

[128] A settlor is a controlling person of a trust irrespective of whether the trust is a revocable trust or an irrevocable trust.
[129] This is subject to the Reporting NZFI choosing to adopt the option set out in s 185N(13) of the TAA to treat a discretionary beneficiary of a trust as not being a controlling person for the trust until the beneficiary receives a distribution. A Reporting NZFI that chooses to adopt this option must have reasonable safeguards and procedures in place for identifying when a distribution is made to the beneficiary.
[130] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[131] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025).

	amount is paid or payable to the beneficiary directly or indirectly. A Reporting NZFI that chooses to adopt this option will need to have reasonable safeguards and procedures in place to determine when such a distribution has been made. This could include the Reporting NZFI having an arrangement as set out above with the trustee - supported by terms and conditions, where possible - that the trustee will notify the Reporting NZFI when it has made such a distribution. This arrangement could be through a service provider, third party, or intermediary if the Reporting NZFI does not have a direct customer relationship with the trustee or otherwise has some practical difficulties with entering into such an arrangement directly with the trustee. However, there is no compulsion for a Reporting NZFI to adopt this option regarding the timing of when it treats specified/named beneficiaries as being controlling persons. A Reporting NZFI could simply choose to treat all specified/named beneficiaries as being controlling persons if it considers that this would be preferable from an operational point of view.

If a Reporting NZFI maintains an account held by a passive NFE and has identified the controlling persons as set out above they must **then** determine whether any of those persons are relevant foreign tax residents. The process that the Reporting NZFI needs to follow depends on the balance or value of the account as set out below:

If the account has a balance or value that does not exceed USD1,000,000 (which the Reporting NZFI can simply treat as NZD1,000,000).	The Reporting NZFI can rely on information they have collected and maintained pursuant to AML/KYC procedures to determine whether any of the controlling persons are relevant foreign tax residents. If the Reporting NZFI adopts these procedures, and determines that a controlling person is a relevant foreign tax resident, they will need to collect the passive NFE's TIN(s) or functional equivalent[132] and the controlling person's name, address, jurisdiction(s) of residence for tax purpose, TIN(s) or functional equivalent, and date of birth. However, this is subject to the qualifications/exceptions outlined further below for collection of TINs and date of birth.
If the account has a balance or value that exceeds USD1,000,000 (which the Reporting NZFI can simply treat as NZD1,000,000).	The Reporting NZFI must obtain a self-certification (see below) from the account holder (or controlling person) to determine whether any of the controlling persons are relevant foreign tax residents and, if so, collect the same information set out above in relation to the account. If a self-certification is not provided, the Reporting NZFI should establish such residence by applying the pre-existing individual account indicia procedures set out above at s 5.3. If a Reporting NZFI has no such indicia in its records, no further action will be required until there is a change in circumstances that results in one or more indicia with respect to the controlling person being associated with the account.

[132] It is assumed, for these purposes, that the Reporting NZFI would already have the passive NFE's name and address in its records, so would not need to collect this information as well.

With respect to pre-existing entity accounts held by a passive NFE, a self-certification of the controlling person's tax residence (as set out above) would only be valid[133] if:

- it is signed or otherwise positively affirmed by the account holder (or controlling person) with authority to sign,
- it is dated at the latest at the date of receipt,
- it contains each controlling person's
    - name,
    - address,
    - jurisdiction(s) of residence for tax purposes,
    - TIN, or a functional equivalent in the absence of a TIN, with respect to each foreign tax jurisdiction (subject to various qualifications/exceptions – outlined below),[134] and
    - date of birth (subject to the qualifications outlined below).

Qualifications: transitional period for the collection of TIN and date of birth information

If a Reporting NZFI does not otherwise have the controlling person's TIN (or functional equivalent) or date of birth in its records, it will, subject to the following exceptions for TIN collection, be required to use reasonable efforts to obtain such information by the end of the second reporting period following the period in which the person is identified as being a reportable person. Reporting NZFI's are also required to use reasonable efforts to obtain the TIN(s) and date of birth with respect to preexisting accounts whenever it is required to update the information relating to the preexisting account pursuant to New Zealand domestic AML/KYC procedures (i.e. if it has not otherwise obtained such TIN and date of birth information).[135]

Exceptions: where TIN information does not need to be obtained

The Reporting NZFI is not required to obtain the controlling person's TIN or functional equivalent in the following circumstances:

- The controlling person has not been issued with a TIN or functional equivalent. For example, if:
    - the controlling person's jurisdiction of tax residence does not issue TINs or a functional equivalent, or
    - the controlling person's jurisdiction of tax residence has not issued a TIN or a functional equivalent to them. For example, the controlling person may be a child that has not been issued with a TIN.
- The controlling person's jurisdiction of tax does not require the collection of the TIN issued by such jurisdiction.

The OECD's AEOI portal[136] contains the rules that jurisdictions adopt for issuing TINs or functional equivalent, in the absence of a TIN, and the format of such TINs. The information on this portal will assist Reporting NZFIs in carrying out their due diligence and determining when they need to collect TINs.

If the account holder or controlling person claims that a controlling person does not to have a TIN or functional equivalent the Reporting NZFI should refer to the AEOI portal for information about whether the controlling person's jurisdiction(s) of tax residence would have issued either a TIN or functional equivalent to the controlling person. This will assist the Reporting NZFI to determine the reasonableness of

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[133] If the controlling person is claiming residence in their self-certification in a jurisdiction offering a potentially high-risk CBI/RBI scheme please refer to the guidance in relation to such schemes at 5.4 for further steps that should be taken to validate the self-certification.
[134] The Reporting NZFI would also need to collect the passive NFE's TIN(s) (or functional equivalent, in the absence of a TIN).
[135] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[136] oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/#d.en.347759.

the claim. The Reporting NZFI may need to ask further questions to determine the reasonableness of the claims. The Reporting NZFI is not required to go beyond the information on the AEOI portal.

For example, the Reporting NZFI may check the information on the AEOI portal and determine, based on this information, that the controlling person is from a jurisdiction that always issues TINs to their residents. Therefore, the Reporting NZFI would reasonably determine that the controlling person has a TIN that they should be providing and that the Reporting NZFI is required to collect.

A Reporting NZFI is generally not required to confirm the format and other specifications of a TIN with the information on the AEOI Portal. Reporting NZFIs may nevertheless wish to do so to enhance the quality of the information collected and minimise the administrative burden associated with any follow-up concerning reporting of an incorrect TIN.

Notwithstanding the general rule expressed above, a Reporting NZFI should be familiar with, and check for, the validity of TINs from another jurisdiction in which the Reporting NZFI or a related entity operates in the following circumstances:

Simple or standard rules	If there are simple or standard rules for TINs in that jurisdiction such as the structure or number of digits. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.
IT Systems	If the IT systems used across the jurisdictions are shared or sufficiently similar that the validation task would not be onerous. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.

Inland Revenue will monitor international expectations on the use of the TIN information on the OECD's AEOI portal and update this guidance if necessary.[137]

5.5.4 Timeframe for completion of initial due diligence and reporting

Reporting NZFIs needed to complete their initial review and any reporting for accounts identified as reportable of pre-existing entity accounts by 30 June 2019.

5.5.5 Record-keeping requirements

For record-keeping purposes, a Reporting NZFI will also need to keep a record of any self-certifications and documentary evidence obtained, the process they followed to obtain such certifications and a record of any failure to obtain a self-certification (for example, when an account holder or controlling person does not provide a self-certification on request).

5.5.6 Change in circumstances

If there is a change of circumstances[138] with respect to a preexisting entity account that causes the Reporting NZFI to know, or have reason to know, that the self-certification or other documentation associated with an account is incorrect or unreliable, the Reporting NZFI must re-determine the status of the account (in accordance with the procedures set out above) by the later of the last day of the relevant reporting period or 90 calendar days following the notice or discovery of the change in circumstances.[139] As

[137] This point applies to the CRS guidance for TIN collection for all types of accounts.

[138] If a Reporting NZFI is subject to AML/KYC procedures that are amended the Reporting NZFI must use any additional information obtained under any amended AML/KYC procedures to determine whether there has been a change of circumstances in relation to the identity and/or reportable status of account holders and/or, for an account held by a passive NFE, controlling persons (see p 75 of the document titled "Consolidated text of the Common Reporting Standard (2025).")

[139] See p68 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

set out in the CRS commentary, in more detail, this will involve the Reporting NZFI obtaining either a new valid self-certification, or a reasonable explanation and documentation (as appropriate) supporting the reasonableness of the original self-certification or documentation (and retaining a copy or a notation of such explanation and documentation). The following points set out in the CRS commentary are also relevant to both the due diligence processes that Reporting NZFIs should adopt when there is a change in circumstances, and also for when the account holder and/or controlling persons should be treated as relevant foreign tax residents:

- If the Reporting NZFI fails to either obtain a valid self-certification or confirm the reasonableness of the original self-certification or documentation, it must treat the account holder as a relevant foreign tax resident with respect to both jurisdictions.

- With respect to the determination whether the account holder is a financial institution, active NFE or passive NFE: a Reporting NZFI must obtain additional documentation or a valid self-certification (as appropriate) to establish the status of the account holder as an active NFE or financial institution. If the Reporting NZFI fails to do so, it must treat the account holder as a passive NFE.

- With respect to the determination whether the controlling person of a passive NFE is a relevant foreign tax resident:
    - a Reporting Financial Institution must obtain either
      (i) a valid self-certification, or
      (ii) a reasonable explanation and documentation (as appropriate) supporting the reasonableness of a previously collected self-certification or documentation (and retain a copy or a notation of such explanation and documentation).

  If the Reporting Financial Institution fails to either obtain a self-certification or confirm the reasonableness of the previously collected self-certification or documentation, it must rely on the indicia it has in its records (see 5.3 of this guidance) for such controlling person to determine whether they are a relevant foreign tax resident.

5.6 New entity accounts[140]

A new entity account is an account opened by a Reporting NZFI on or after 1 July 2017[141] held by an entity (for example, held by a trust, company, or partnership). Reporting NZFIs are required to conduct the following due diligence steps for new entity accounts:

Step One	Determining whether the entity is a relevant foreign tax resident.
Step Two	Determining whether the entity is a passive NFE.
Step Three	If the entity is a passive NFE, determining whether it has any controlling persons that are relevant foreign tax residents.

There is no de minimis threshold exemption from these procedures.

[140] A Reporting NZFI is also able to choose to adopt these procedures for pre-existing entity accounts.
[141] For accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this would be an account held by an entity as of or after 1 April 2026 (i.e. such accounts will be new entity accounts). See appendix 10 for further detail.

5.6.1 Whether the entity is a relevant foreign tax resident (step one)

The Reporting NZFI first needs to determine whether the entity is a foreign tax resident. The Reporting NZFI needs to obtain a self-certification, which may be part of the account opening documentation, that allows it to determine the account holder's residence for tax purposes and to confirm the reasonableness of that self-certification based on the information it obtained in connection with the opening of the account including any documentation it has collected pursuant to AML/KYC procedures.

The form, procedures, and timeframes that a Reporting NZFI would need to adopt for obtaining and validating such self-certifications, and also the exceptional circumstances where there is a temporary lack of self-certification, are broadly the same as those outlined above for new individual accounts at s 5.4 of this guidance.

Content of self-certification

A self-certification of the account holder's tax status would only be valid if:

- it is signed or otherwise positively affirmed by the account holder or person with authority to sign for the account holder,
- it is dated at the latest at the date of receipt,
- it contains each account holder's
    - name (i.e. the name of the entity),
    - address,
    - jurisdiction(s) of residence for tax purposes,[142] and
    - TIN (or a functional equivalent, in the absence of a TIN) for each foreign tax jurisdiction (subject to various exceptions – outlined below).

A self-certification may also contain the account holder's status (i.e. financial institution,[143] passive NFE, active NFE – as expanded on further below). The Reporting NZFI, when requesting such a self-certification, is expected to provide the account holder with the information that is relevant to them determining their status (for example, the definitions of "active NFE", "passive NFE", and "financial institution").

If the self-certification indicates that the account holder is resident in a reportable jurisdiction, the Reporting NZFI must treat the account as being a reportable account **unless** it reasonably determines, based on information in its possession or that is publicly available, that the account holder is **not** a reportable person. Please note that a Reporting NZFI is able to apply these due diligence steps in the order that is most appropriate in the circumstances.

Important: One of the circumstances when an entity account holder will **not** be a reportable person is if they are a financial institution.[144] Please note that the mere assignment of a FATCA GIIN to an entity account holder is only one indicator that the particular entity may be a financial institution for reporting purposes under the CRS. Indeed, in carrying out the required due diligence, a Reporting NZFI **should not rely solely** on the FATCA GIIN list to support a self-certification received from an entity claiming to be a financial institution.

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[142] If the entity certifies that they have no residence for tax purposes, the Reporting NZFI may rely on the address of the entity's principal office to determine its residency.

[143] Pursuant to subparagraph D(2)(vi) of s VIII of the CRS, financial institutions are excluded from the term "reportable person" as they will do their own reporting or are otherwise considered to present a low risk of being used to evade tax. They are excluded from reporting, except for Investment Entities described in subparagraph A(6)(b) that are not participating jurisdiction financial institutions, which are treated as passive NFEs and reported.

[144] Pursuant to subparagraph D(2)(vi) of s VIII of the CRS, financial institutions are excluded from the term "reportable person" as they will do their own reporting or are otherwise considered to present a low risk of being used to evade tax. They are excluded from reporting, except for investment entities described in subparagraph A(6)(b) that are not participating jurisdiction financial institutions, which are treated as passive NFEs and reported.

In confirming the reasonableness of a self-certification, Reporting NZFIs must look beyond a GIIN to ensure an entity claiming to be a financial institution (i.e. an entity self-certifying that they are a financial institution, so not a reportable person) is indeed a financial institution for CRS purposes and to ensure that all self-certifications are correct and complete. This is in line with the CRS due diligence requirement that Reporting NZFIs can only rely on self-certifications where they do **not** know or have reason to know that such self-certifications are incorrect or unreliable.

Dual Residents

There has also been an amendment to the CRS due diligence procedures as of 1 April 2026 for dual residents, which requires dual residents to self-certify all of their jurisdictions of tax residence i.e. tie-breakers in Double Tax Agreements do **not** apply. Therefore, an entity account holder that is tax resident in more than one jurisdiction will, subject to the following, need to disclose all of these jurisdictions in their self-certification. The Reporting NZFI that maintains the account, in turn, must treat the account as being held by a relevant foreign tax resident in respect of each foreign jurisdiction. However, dual resident account holders may rely on the tiebreaker rules contained in Double Tax Agreements if applicable to solve cases of double residence for determining their residence for tax purposes, **until 1 April 2026**. As of this date, dual residents that are (re-) documented may not rely on tiebreaker rules and will be expected to declare all their jurisdictions of tax residence.[145]

Exceptions – where TINs do not need to be obtained

The Reporting NZFI is not required to obtain the foreign tax resident account holder's TIN or functional equivalent in the following circumstances:

- The account holder has not been issued with a TIN or functional equivalent. For example, if:
    - the account holder's jurisdiction of tax residence does not issue TINs or a functional equivalent, or
    - the account holder's jurisdiction of tax residence has not issued a TIN or a functional equivalent to them. For example, the account holder may be a child that has not been issued a TIN.
- The account holder's jurisdiction of tax residence does not require the collection of the TIN issued by such jurisdiction.

The OECD's AEOI portal[146] contains the rules that jurisdictions adopt for issuing TINs or functional equivalent in the absence of a TIN and the format of such TINs. The information on this portal will assist Reporting NZFIs in carrying out their due diligence and determining when they need to collect TINs.

If an account holder claims not to have a TIN or a functional equivalent this statement should be part of any self-certification collected for the account, unless the Reporting NZFI reasonably determines, based on information on the OECD's AEOI portal, that the person would not have either a TIN or a functional equivalent for the relevant foreign jurisdiction.

If a Reporting NZFI identifies that an account holder is a relevant foreign tax resident and the account holder claims not to have either a TIN or functional equivalent the Reporting NZFI should refer to the AEOI portal for information about whether the account holder's jurisdiction(s) of tax residence would have issued a TIN or functional equivalent to them. This will assist the Reporting NZFI to determine the reasonableness of the account holder's claim. The Reporting NZFI may need to ask the account holder further questions to determine the reasonableness of their claims. The Reporting NZFI is not required to go beyond the information on the AEOI portal in this regard. For example, the Reporting NZFI may check the information on the AEOI portal and determine, based on this information, that the account holder is from

[145] See p 58 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[146] oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/#d.en.347759.

a jurisdiction that always issues TINs to their residents. Therefore, the Reporting NZFI would reasonably determine that the account holder has a TIN that they should be providing and that the Reporting NZFI is required to collect.

A Reporting NZFI is generally not required to confirm the format and other specifications of a TIN with the information on the AEOI portal. Reporting NZFIs may nevertheless wish to do so to enhance the quality of the information collected and minimise the administrative burden associated with any follow-up concerning reporting of an incorrect TIN. Notwithstanding the general rule expressed above, a Reporting NZFI should be familiar with, and check for, the validity of TINs from another jurisdiction in which the Reporting NZFI or a related entity operates in the following circumstances:

Simple or standard rules	If there are simple or standard rules for TINs in that jurisdiction such as the structure or number of digits. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.
IT Systems	If the IT systems used across the jurisdictions are shared or sufficiently similar that the validation task would not be onerous. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.

Inland Revenue will monitor international expectations on the use of the TIN information on the OECD's AEOI portal and update this guidance if necessary.[147]

5.6.2 Whether the entity is a passive non-financial entity (step two)

A Reporting entity that maintains a new entity account is also required to determine whether the account holder is a passive NFE. The same procedures outlined above for pre-existing entity accounts referred to at s 5.5.2 of this guidance apply equally here.

Important: If a Reporting NZFI has not been able to determine that an entity account holder is an active NFE or financial institution[148] (i.e. on the basis of a valid self-certification or reasonable determination, as set out above), the NZFI must treat the account holder as a passive NFE.

A Reporting NZFI must also maintain records of the steps undertaken and any evidence relied upon for the performance of its due diligence. This would include maintaining record of the information used to determine that account holder's status (i.e. active NFE, passive NFE, of financial institution).

5.6.3 When an entity account holder is a passive non-financial entity – identifying controlling persons (step three)

If a Reporting NZFI has identified that a new entity account is held by a passive NFE it is required to:

- identify the entity's controlling persons, and
- determine whether any of those controlling persons are foreign tax residents.

Section VIII(D)(6) of the CRS defines "controlling persons" as meaning the natural persons who exercise control over the entity, with some elaboration outlined below on how this would apply to trusts. The term "controlling persons" must be interpreted in a manner consistent with the Financial Action Task Force Recommendations. For the purposes of identifying the controlling persons of a passive NFE for such new

[147] This point applies to the guidance for TIN collection for all types of accounts.
[148] Pursuant to subparagraph D(2)(vi) of s VIII of the CRS, financial institutions are excluded from the term "reportable person" as they will do their own reporting or are otherwise considered to present a low risk of being used to evade tax. They are excluded from reporting, except for investment entities described in subparagraph A(6)(b) that are not participating jurisdiction financial institutions, which are treated as passive NFEs and reported.

entity accounts, a Reporting NZFI may rely on information collected and maintained pursuant to AML/KYC procedures, **provided that** such AML/KYC procedures are consistent with FATF Recommendations 10 and 25 as adopted in February 2012. If the Reporting NZFI is not legally required to apply AML/KYC procedures that are consistent with the 2012 FATF Recommendations, it must apply substantially similar procedures for the purpose of determining the controlling persons.[149]

Consistent with FATF Recommendation 10, where a publicly listed company exercises control over an account holder that is a Passive NFE, there is no requirement to determine the controlling persons of such company, if such company is already subject to disclosure requirements ensuring adequate transparency of beneficial ownership information.

The controlling persons of passive NFEs that are legal persons and trusts (respectively) are set out below:

Legal persons	For a passive NFE that is a legal person, the term "controlling person" means the natural person(s) who exercise control over the entity. "Control" over an entity is generally exercised by the natural person(s) who ultimately has a controlling ownership interest in the entity. The CRS commentary does not explicitly define "controlling ownership interest" for legal persons, stating only that this is usually identified on the basis of a threshold such as 25% ownership.[150] Under New Zealand law a 25% threshold is prescribed in AML/CFT legislation. See Regulation 5 of the AML/CFT (definitions) Regulations 2011, information on which can be found at fma.govt.nz/library/guidance-library/amlcft-beneficial-ownership-guideline/ here no natural person(s) exercises control through ownership interests, the controlling person(s) of the entity will be the natural person(s) who exercise control of the entity through other means. Where no natural person(s) is identified as exercising control of the entity, the controlling person(s) of the entity will be the natural person(s) who holds the position of senior managing official.
Trusts	In the case of a passive NFE trust, the term "controlling persons" mean the settlor(s),[151] the trustee(s), the protector(s) (if any), the beneficiary(ies)[152] or classes of beneficiaries and any other natural person(s) exercising ultimate effective control over the trust. In the case of legal arrangements other than a trust, the term means persons in equivalent or similar positions.

The following points are relevant when determining whether persons connected with a new passive NFE **trust** account are "controlling persons" of the trust. The settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or classes of beneficiaries of a trust must always be treated as controlling persons of the trust**, irrespective of** whether any of them exercises control over the trust.[153] Furthermore, any other natural person that has ultimate effective control over the trust also needs to be treated as a controlling person of a trust. This is a broad definition of controlling persons for trusts. The CRS commentary is also clear that a higher standard of CRS due diligence is required to identify the controlling persons of a new trust account (for pre-existing trust accounts where, as outlined above, AML/KYC procedures will be sufficient to identify CRS controlling persons). We understand that Reporting NZFIs will not always identify such persons under AML/KYC procedures. Therefore, the practical reality is that for new passive NFE trust

[149] See p 72 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[150] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[151] A settlor is a controlling person of a trust irrespective of whether the trust is a revocable trust or an irrevocable trust.
[152] This is subject to the Reporting NZFI choosing to adopt the option set out in s185N(13) of the TAA to treat a discretionary beneficiary of a trust as not being a controlling person for the trust until the beneficiary receives a distribution. A Reporting NZFI that chooses to adopt this option must have reasonable safeguards and procedures in place for identifying when a distribution is made to the beneficiary.
[153] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

accounts, Reporting NZFIs will need to capture the following information on their on-boarding forms for new passive NFE trust accounts (which will supplement the information they collect for AML/KYC procedures) as part of a CRS self-certification:

- information about the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or classes of beneficiaries of a trust irrespective of whether any of them exercises control over the trust, and
- information about any other natural person(s) that exercise ultimate effective control over the trust.

If a person connected to a trust (such as a trustee, settlor, or beneficiary) is an entity the Reporting NZFI will need to identify the natural persons that control that entity.

For beneficiaries that are designated by characteristics or by class (i.e. as opposed to a specified/named beneficiary), a Reporting NZFI should obtain sufficient information concerning the beneficiary(ies) to satisfy it that it will be able to establish the identity of the beneficiary(ies) at the time of the pay-out or when the beneficiary(ies) intends to exercise vested rights. Therefore, that occasion will constitute a change in circumstances and will trigger the relevant procedures.[154] This could be relevant if, for example, a trust has a "children of the settlor" class of beneficiaries. A child within that class would not be a relevant controlling person that needs to be identified until they receive a distribution from the trust or intend to exercise vested rights. The Reporting NZFI should have reasonable safeguards and procedures in place to identify when someone within a class of discretionary beneficiaries receives a distribution and, therefore, is a controlling person. This could include the Reporting NZFI having an arrangement with the trustee (possibly through a service provider, third party, or intermediary) that the trustee will notify the Reporting NZFI when it has made such a distribution. This "notification" requirement could:[155]

- be in the "on-boarding" self-certification form, and
- be supported by terms and conditions where possible requiring the provision of such information.

A specified/named discretionary beneficiary of a passive NFE trust will generally be a controlling person of the trust. However, a Reporting NZFI has the option under s185N(13) of the TAA of only treating such a beneficiary as being a controlling person of the trust if that person receives directly or indirectly a distribution. The meaning of "receives a distribution" in this context is when an amount is paid or payable directly or indirectly to the beneficiary. A Reporting NZFI that chooses to adopt this option will need to have reasonable safeguards and procedures in place to determine when such a distribution has been made. This could include the Reporting NZFI having an arrangement with the trustee (possibly through a service provider, third party, or intermediary) that the trustee will notify the Reporting NZFI when it has made such a distribution (see above). There is no compulsion for a Reporting NZFI to adopt this option regarding the timing of when it treats specified/named beneficiaries as being controlling persons. A Reporting NZFI could simply choose to treat all specified/named beneficiaries as being controlling persons in this context if it considers that this would be preferable from an operational point of view.

If a Reporting NZFI maintains an account held by a passive NFE, and has identified the controlling persons, it must then determine whether any of those persons are relevant foreign tax residents by obtaining a self-certification from the account holder or such controlling persons as to whether any of those controlling persons are relevant foreign tax residents.

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[154] See p 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[155] See the notification arrangements set out at s 5.5.3 of this guidance, which could be applied for new accounts as well.

With respect to new entity accounts held by a passive NFE, a self-certification of the controlling person's tax residence would only be valid[156] if:

- it is signed or otherwise positively affirmed by the account holder (or controlling person) with authority to sign,
- it is dated at the latest at the date of receipt,
- it contains each controlling person's
    - name,
    - address,
    - jurisdiction(s) of residence for tax purposes,
    - TIN or functional equivalent in the absence of a TIN with respect to each foreign tax jurisdiction (subject to various exceptions – outlined below),[157]
    - date of birth.

Exceptions – where TINs are not required to be obtained

The Reporting NZFI is not required to obtain the controlling person's TIN (or functional equivalent) in the following circumstances:

- The controlling person has not been issued with a TIN or functional equivalent. For example, if:
    - the controlling person's jurisdiction of tax residence does not issue TINs or functional equivalent,
    - the controlling person's jurisdiction of tax residence has not issued a TIN or functional equivalent to them. For example, the person may be a child that has not been issued a TIN.
- The controlling person's jurisdiction of tax residence does not require the collection of the TIN issued by that jurisdiction.

OECD's AEOI portal – validating TINs and determining whether TINs need to be obtained

The OECD's AEOI portal[158] contains the rules that jurisdictions adopt for issuing TINs (or functional equivalent, in the absence of a TIN) and the format of such TINs. The information on this portal will assist Reporting NZFIs in carrying out their due diligence and determining when they need to collect TINs.

If the account holder or controlling person claims that a controlling person does not to have a TIN or functional equivalent this statement should be part of any self-certification collected for the account, unless the Reporting NZFI reasonably determines, based on information on the OECD's AEOI portal, that the person would not have either a TIN (or a functional equivalent) for the relevant foreign jurisdiction.

If the account holder or controlling person claims that a controlling person does not to have a TIN or functional equivalent the Reporting NZFI should refer to the AEOI portal for information about whether the controlling person's jurisdiction(s) of tax residence would have issued either a TIN or functional equivalent to the controlling person. This will assist the Reporting NZFI to determine the reasonableness of the claim. The Reporting NZFI may need to ask further questions to determine the reasonableness of the claims. The Reporting NZFI is not required to go beyond the information on the AEOI portal in this regard.

For example, the Reporting NZFI may check the information on the AEOI portal and determine, based on this information, that the controlling person is from a jurisdiction that always issues TINs to their residents.

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[156] If the controlling person is claiming residence in their self-certification in a jurisdiction offering a potentially high-risk CBI/RBI scheme please refer to the guidance in relation to such schemes at 5.4 for further steps that should be taken to validate the self-certification.

[157] The Reporting NZFI would also need to collect the passive NFE's TIN.

[158] oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/#d.en.347759.

Therefore, the Reporting NZFI would reasonably determine that the controlling person has a TIN that they should be providing and that the Reporting NZFI is required to collect.

A Reporting NZFI is generally not required to confirm the format and other specifications of a TIN with the information on the AEOI portal. Reporting NZFIs may nevertheless wish to do so to enhance the quality of the information collected and minimise the administrative burden associated with any follow-up concerning reporting of an incorrect TIN.

Notwithstanding the general rule expressed above, a Reporting NZFI should be familiar with, and check for, the validity of TINs from another jurisdiction in which the Reporting NZFI or a related entity operates in the following circumstances:

Simple or standard rules	If there are simple or standard rules for TINs in that jurisdiction such as the structure or number of digits. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.
IT Systems	If the IT systems used across the jurisdictions are shared or sufficiently similar that the validation task would not be onerous. A Reporting NZFI is able to take a reasonable interpretation taking into account their particular circumstances of whether or not this would be the case.

Inland Revenue will monitor international expectations on the use of the TIN information on the OECD's AEOI portal and update this guidance if necessary.[159]

5.6.4 Record-keeping requirements

For record-keeping purposes, a Reporting NZFI will also need to keep a record of self-certifications and documentary evidence obtained, the process they followed to obtain such certifications, and a record of any failure to obtain a self-certification (for example, when an account holder or controlling person does not provide a self-certification on request).

5.6.5 Change in circumstances

If there is a change in circumstances[160] with respect to a new entity account that causes the Reporting NZFI to know, or have reason to know, that the self-certification or other documentation associated with an account is incorrect or unreliable, the Reporting NZFI must re-determine the status of the account. The procedures that the Reporting NZFI would need to follow in this regard are the same as the procedures when there is a change in circumstances for pre-existing entity accounts referred to above at s 5.5.6 of this guidance.[161]

[159] This point applies to the CRS guidance for TIN collection for all types of accounts.
[160] If a Reporting NZFI is subject to AML/KYC procedures that are amended the Reporting NZFI must use any additional information obtained under any amended AML/KYC procedures to determine whether there has been a change of circumstances in relation to the identity and/or reportable status of account holders and/or, for an account held by a passive NFE, controlling persons (see p 75 of the document titled "Consolidated text of the Common Reporting Standard (2025).")
[161] See pp 72-73 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

6 Outline of the CRS information that needs to be reported

This guidance has so far outlined the circumstances when an entity will be a Reporting NZFI, and the due CRS diligence obligations that Reporting NZFIs have to identify reportable accounts and undocumented accounts. The guidance will now set out the information that a Reporting NZFI will need to report to Inland Revenue **if** an account is reportable.

In broad terms, a Reporting NZFI will be required to report to Inland Revenue prescribed identity and financial account information about a financial account it maintains in the following circumstances:

- the Reporting NZFI has identified that the account is held and/or, in the case of a passive NFE, controlled by a reportable person from a reportable jurisdiction, or
- the Reporting NZFI has decided to adopt the wider approach to reporting and has identified that the account is held and/or, in the case of a passive NFE, controlled by a relevant foreign tax resident.

Reporting NZFIs must report two types of prescribed information about such accounts:

Identity information	Identity information about the relevant foreign tax resident account holder (and foreign tax-resident controlling person – in the case of accounts held by passive NFEs).
Financial account information	For example, the account balance or value and various amounts paid or credited to[162] the account.

Reporting NZFIs also need to report accounts that they have identified as being undocumented accounts. The circumstances when a pre-existing account will be an undocumented account are outlined at ss 1.6, 5.3.2 and 5.3.3 of this guidance.

These reporting requirements will apply on an annual basis (i.e. by 30 June of the relevant year). Reporting NZFIs that have identified an account as reportable should continue to report the prescribed account information annually to Inland Revenue **unless** there is a change in circumstances that means that the account is not reportable. A Reporting NZFI that does not have any accounts to report for a particular reporting period will also have the option of providing a nil report.

This guidance now outlines in detail the prescribed identity and financial account information that Reporting NZFIs need to report annually about any reportable accounts it has identified.

[162] As explained in detail further below, this also sometimes covers amounts paid or credited with respect to the account.

6.1 Identity information that Reporting NZFIs will need to report for a reportable account

Reporting NZFIs are required[163] to annually report the following identity information[164] to Inland Revenue about their reportable accounts:[165]

- The name, address, jurisdiction(s) of residence, TIN(s)[166] and date of birth in the case of any individual account holder that is a reportable person.
- The name, address, jurisdiction(s) of residence and TIN(s) of any entity account holder that is a reportable person.
- For equity interest accounts held in an investment entity that is a legal arrangement, the role(s)[167] (subject to the transitional measures – see below) by virtue of which the reportable person is an equity interest holder.
- In the case of any passive NFE account holder that is identified as having one or more controlling persons that is a reportable person:
    - the name, address, jurisdiction(s) of residence, TIN(s) of the passive NFE, and
    - the name, address, jurisdiction(s) of residence, TIN(s), date of birth, and role(s)[168] of the controlling person (or persons) (subject to the transitional measures – see below).
- The account number (or functional equivalent in the absence of an account number).
- Whether each reportable person account holder has provided a valid self-certification.
- Whether a valid self-certification has been provided for each controlling person that is a reportable person.
- The type of account and whether the account is a preexisting account or a new account.
- Whether the account is a joint account, including the number of joint account holders.
- the name and identifying number if any of the Reporting NZFI.

The requirements to identify controlling persons, as well as **their roles** with respect to the passive NFE, are governed by AML/KYC procedures, as set out in the CRS commentary to s VIII of the CRS. These requirements are summarised as follows:

Passive NFE trust or similar legal arrangement	Where a reportable person is a controlling person of a trust or a similar legal arrangement by virtue of more than one role, the Reporting NZFI must report **each role**, provided the identification of the roles is required by AML/KYC procedures. This requirement also applies with respect to the identification of the roles of equity interest holders of a trust or a similar legal arrangement (see above).
Passive NFE other than a trust or a similar legal arrangement	Where a reportable person is a controlling person by virtue of more than one role in respect of a passive NFE **other than** a trust or a similar legal arrangement, the Reporting NZFI must report according to the hierarchy of roles indicated in the CRS commentary to s VIII of the CRS (i.e. ownership interests, control through other means, senior managing official), provided the identification of the role is required by AML/KYC procedures.[169]

[163] This is subject to the qualifications, exceptions, and transitional measures set out further below.
[164] See s 1(A) of the CRS.
[165] The reporting requirements set out below in relation to reportable persons would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting.
[166] As noted above, in the absence of a TIN, the functional equivalent should be collected and reported.
[167] For example, if the investment entity is a trust the "roles" would be the settlor, trustee, protector, beneficiary, and any other natural person that controls the trust.
[168] For example, for a passive NFE trust, the "roles" would be whether the controlling person is a settlor, trustee, protector, beneficiary, or any other natural person that controls the trust.
[169] See pp 34 and 115 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

The reader should refer to the CRS reporting schema at oecd.org/en/publications/amended-common-reporting-standard-xml-schema_dd7ee57a-en for further detail about how such "roles" (i.e. roles of controlling persons and equity interest holders that are reportable persons) will be reported for CRS purposes. This will assist Reporting NZFIs with understanding how to structure and store such data for reporting purposes. Reporting NZFIs will also be required to keep records - as part of their record keeping obligations - evidencing the basis for roles that they have reported for such reportable persons.

Reporting of Roles of Equity Interest Account Holders and Controlling Persons - Transitional Measures

There is, subject to the following, a requirement, for the period commencing 1 April 2026 and ended 31 March 2027 (reporting by 30 June 2027) and subsequent periods, to report the "roles" of reportable persons for equity interest accounts (for Reporting NZFI investment entity legal arrangements) and of controlling persons (for passive NFEs) as set out above, with respect to each reportable account[170] they maintain.

However, for accounts maintained by a Reporting NZFI as of 31 March 2026 (i.e. before the introduction of the CRS amendments on 1 April 2026) and for reporting periods ending by the second period following such date, information with respect to the role(s) by virtue of which each reportable person[171] is a controlling person or equity interest holder of the entity is only required to be reported **if** such information is available in the electronically searchable data maintained by the Reporting NZFI.

Example 1
Equity Interest Account - Reporting of Roles: On 31 March 2026 Reporting NZFI investment entity trust maintains an equity interest account that they have identified as being held by a reportable person (Sam). Therefore, the account is a reportable account. The Reporting NZFI maintains electronically searchable data under which it can determine that Sam is both a beneficiary and a settlor of the trust. The Reporting NZFI is required to report Sam's roles (i.e. beneficiary and settlor) as part of its CRS reporting for the account.

Example 2
Equity Interest Account - Reporting of Roles: The facts are the same as example 1 except that the Reporting NZFI does not maintain electronically searchable data under which it can determine Sam's roles in relation to the trust. The Reporting NZFI would not be required to report these roles in the transitional period (referred to above), but would need to ensure that it obtains sufficient information to be able to report these roles in subsequent periods as part of its CRS reporting for the account.

[170] This requirement would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting.
[171] This requirement would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting.

Example 3
Controlling Persons – Reporting of Roles: On 31 March 2026 Reporting NZFI maintains an account that they have identified as being held by a passive NFE trust with a controlling person (Tom) that is reportable person that is tax resident in Australia. Therefore, the account is a reportable account. The Reporting NZFI maintains electronically searchable data under which it can determine that Tom is both a beneficiary and a settlor of the trust. The Reporting NZFI is required to report Tom's roles (i.e. beneficiary and settlor) as part of its CRS reporting for the account.

Example 4
Controlling Persons – Reporting of Roles: The facts are the same as example 3 except that the Reporting NZFI does **not** maintain electronically searchable data under which it can determine the roles of the reportable person (i.e. Tom – the controlling person that is a reportable person). The Reporting NZFI would not be required to report these roles in the transitional period referred to above, but will need to ensure that it obtains sufficient information to be able to report these roles in subsequent periods as part of its CRS reporting for the account.

This guidance now provides some further context to the identification information that Reporting NZFIs need to provide and the exceptions/qualifications that apply.

Valid Self-Certifications

Reporting NZFIs need to report whether a valid self-certification has been provided for reportable accounts for each account holder/controlling person that is a reportable person.

Example
No valid self-certification: A Reporting NZFI obtains a self-certification on account opening from George that he is tax-resident in New Zealand.
Three years after account opening, George rings the Reporting NZFI to add a foreign mailing address to the account. This is a change in circumstances that calls into question George's original self-certification. The Reporting NZFI would need to re-determine the status of the account by obtaining a valid self-certification for George.
If the Reporting NZFI is not able to obtain a valid self-certification from George that establishes his residence for tax purposes nor a reasonable explanation and documentation supporting the validity of the original self-certification the account is reportable. This is because, in such circumstances, the Reporting NZFI must treat the account holder as resident of the jurisdiction in which the account holder (i.e. George) claimed to be resident in the original self-certification and the jurisdiction in which the account holder may be resident as a result of the change in circumstances.[172]
The Reporting NZFI should report for CRS purposes that the account does not have a valid self-certification, reflecting the status of validity of the self-certification at the time of reporting.

[172] See p 60 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

TIN

A Reporting NZFI generally needs to report a TIN or functional equivalent in the absence of a TIN for reportable accounts (i.e. the TIN of the relevant foreign tax resident account holder or controlling person). However, there are some important exceptions and qualifications to this.

Exceptions: A TIN or functional equivalent is not required to be obtained and reported in the following circumstances:

- The person has not been issued with a TIN or functional equivalent. For example, if:
  - the person's jurisdiction of tax residence does not issue TINs or functional equivalent, or
  - the person's jurisdiction of tax residence has not issued a TIN or functional equivalent to them.
- The person's jurisdiction of tax residence does not require the collection of TINs issued by that jurisdiction. However, a Reporting NZFI is not prevented from asking for, and collecting, the person's TIN for reporting purposes if the person chooses to provide it. In this case, the Reporting NZFI must report the TIN.[173]

Qualification: A Reporting NZFI that identifies that an account holder (or controlling person) of a reportable pre-existing account is a relevant foreign tax resident, and does not otherwise have the person's TIN or functional equivalent in its records, will be required to use reasonable efforts to obtain and report the TIN or functional equivalent by the end of the second reporting period following the period in which the account is identified as being held (or controlled) by a reportable person. The Reporting NZFI is also required to use reasonable efforts to obtain the TIN(s) with respect to pre-existing accounts whenever it is required to update the information relating to the pre-existing account pursuant to New Zealand domestic AML/KYC procedures (i.e. if it has not otherwise obtained such TIN information).[174]

Date of birth

A Reporting NZFI generally needs to report date of birth information of the relevant individual account holder (or controlling person) for reportable accounts (i.e. the date of birth information of the relevant foreign tax resident account holder or controlling person).

Qualification: A Reporting NZFI that identifies that an individual account holder (or controlling person) of a pre-existing account is a relevant foreign tax resident, and does not otherwise have the person's date of birth in their records, will be required to use reasonable efforts to obtain and report the date of birth by the end of second reporting period following the period in which the account is identified as being held or controlled by a reportable person. The Reporting NZFI is also required to use reasonable efforts to obtain the date of birth with respect to a pre-existing account whenever it is required to update the information relating to the pre-existing account pursuant to New Zealand domestic AML/KYC procedures (i.e. if it has not otherwise obtained such date of birth information).[175]

It should be further noted that, while the date of birth must be reported, the place of birth is not required to be reported and should not be reported to Inland Revenue.

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[173] See p 40 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[174] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[175] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

6.2 Financial account information that Reporting NZFIs will need to report for a reportable account

Reporting NZFIs are required to annually report the following financial account information[176] to Inland Revenue about their reportable accounts:[177]

- The account balance or value as at the end of the reporting period (i.e. 31 March) or, if the account was closed during that period, the closure of the account.
- In the case of a custodial account:
    - the total gross amount of interest paid or credited to the account or with respect to the account during the relevant period ending 31 March,
    - the total gross amount of dividends paid or credited to the account or with respect to the account during the relevant period ending 31 March,
    - the total gross amount of other income generated with respect to the assets held in the account and paid or credited to the account or with respect to the account during the relevant period ending 31 March, and
    - the total gross proceeds from the sale or redemption of financial assets paid or credited to the account or with respect to the account during the relevant period ending 31 March with respect to which the Reporting NZFI acted as a custodian, broker, nominee or otherwise as an agent for the account holder. (However, notwithstanding this requirement, and unless the Reporting NZFI elects otherwise with respect to any clearly identified group of accounts, the gross proceeds from the sale or redemption of a financial asset are not required to be reported to the extent such gross proceeds from the sale or redemption of such financial asset are reported by the Reporting NZFI under the crypto-asset reporting framework).[178]
- In the case of a depository account, the total gross amount of interest paid or credited to the account during the relevant period ending 31 March.
- In the case of any other type of account, the total gross amount paid or credited to the account holder with respect to the account during the relevant period ending 31 March with respect to which the Reporting NZFI is the obligor or debtor. This includes the aggregate amount of any redemption payments made to the account holder during the reporting period.

Where an account is jointly held, each holder of the account is attributed the entire balance or value of the joint account, as well as the entire amounts paid or credited to the joint account (or with respect to the joint account).

This guidance now provides some further context to the financial information that Reporting NZFIs need to report about such reportable accounts.

Account balance or value

Reporting NZFIs are, subject to the following, required to report the account balance or value of a reportable account as of the end of the relevant period ending 31 March.

(However, if an account was closed during that period, the Reporting NZFI must report the closure of the account. An account will be considered to be closed according to the Reporting NZFI's normal operating procedures that are consistently maintained for all accounts. In most cases, it will be fairly self-explanatory as to whether an account has been closed. An equity or debt interest account would generally be considered to be closed upon termination, transfer, surrender, redemption, cancellation or liquidation. An account with a balance or value equal to zero or that is negative will not be considered to be closed solely

[176] See s I(A) of the CRS.
[177] The reporting requirements set out below in relation to reportable persons would apply to all relevant foreign tax residents **if** the Reporting NZFI adopted the wider approach to reporting.
[178] See s I(G) of the CRS.

by reason of having such a balance or value.[179] If the account was closed during the period, the Reporting NZFI must report that the account was closed, but not the account balance or value before or at the time of closure. This is a key difference between the CRS and FATCA. For FATCA, it is the balance immediately prior to closure that needs to be reported).

The following points are relevant when determining the account **balance or value** of a reportable account as of the end of the relevant period ending 31 March:[180]

Balance or value calculated for the purposes of reporting	In general, the balance or value of a financial account is the balance or value calculated by the Reporting NZFI for purposes of reporting to the account holder. However, as explained below, other methods are permissible where the Reporting NZFI does not report to the account holder.
Depository accounts	The balance or value of depository financial accounts in a Reporting NZFI is self-explanatory (i.e. it would simply be the funds held in the account).
Equity interests	The balance or value of an equity interest financial account is the value calculated by the Reporting NZFI for the purpose that requires the most frequent determination of value, which may be for reporting/investment purposes. If the Reporting NZFI has not otherwise recalculated the balance or value for other reasons such as reporting/investment purposes, the balance or value will be the value of the interest upon acquisition or otherwise will be the total value of the Reporting NZFI's property (see pp 110-111 of the OECD's CRS Implementation Handbook).
Debt interest	The balance or value of a debt interest financial account is its principal amount.
Cash value insurance contract or an annuity contract financial account	In the case of a cash value insurance contract or an annuity contract financial account, the account balance or value includes the cash value[181] or surrender value.
No reduction for liabilities or obligations	The balance or value of a financial account is not to be reduced by any liabilities or obligations incurred by an account holder with respect to the account or any of the assets held in the account.
Jointly held accounts	Where a financial account is jointly held, each holder of the account is attributed the entire balance or value of the joint account, as well as the entire amounts paid or credited to the joint account or with respect to the joint account.
Account with a negative balance	A financial account[182] with a balance or value that is negative must be reported as having an account balance or value equal to zero. Once an account is a reportable account, it maintains its status until the date it ceases to be a reportable account, even if the account balance or value is equal to zero or is negative (reported as having an account balance or value equal to zero). An account with a balance or value equal to zero or that is negative will also not be a closed account solely by reason of such balance or value.
Account held by a passive NFE with more than one controlling person that is a reportable person	Where an account is held by a passive NFE with more than one controlling person that is a reportable person, each controlling person is attributed the entire balance or value of the account held by the passive NFE, as well as the entire amounts paid or credited to the account. (This

[179] See p36 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[180] See p 36 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[181] The meaning of "cash value" is outlined in detail in s 3.1.4.2 of this guidance.
[182] This only applies to financial accounts, as opposed to products that are not accounts in the first place.

	requirement would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting).
Account holder that is a reportable person and that has more than one jurisdiction of residence	Where an account is held by an account holder that is a reportable person who is identified as having more than one jurisdiction of residence, the entire balance or value of the account, as well as the entire amount paid or credited to the account, must be reported with respect to each jurisdiction of residence of the account holder. (This requirement would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting).
Account held by a passive NFE with a controlling person that is a reportable person that has more than one jurisdiction of residence	Where an account is held by a passive NFE with a controlling person that is a reportable person and is identified as having more than one jurisdiction of residence, the entire balance or value of the account held by the passive NFE, as well as the entire amount paid or credited to the account, must be reported with respect to each jurisdiction of residence of the controlling person.(This requirement would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting).
Account held by a passive NFE that is a reportable person and also with a controlling person that is a reportable person	Where an account is held by a passive NFE that is a reportable person with a controlling person that is a reportable person, the entire balance or value of the account held by the passive NFE, as well as the entire amount paid or credited to the account, must be reported with respect to both the passive NFE and the controlling person. (This requirement would apply to all relevant foreign tax residents if the Reporting NZFI adopted the wider approach to reporting).

Gross proceeds

A clearing or settlement organisation that maintains accounts, and settles sales and purchases may not know the gross proceeds from sales and dispositions. Where this is the case, gross proceeds are limited to the net amount paid or credited to a member's account that is associated with sales or other dispositions of financial assets by that member as of the time that the transactions are settled under the organisation's settlement procedures.[183] With respect to a sale that is effected by a broker that results in a payment of gross proceeds, the date the gross proceeds are considered paid is the date that the proceeds of sale are credited to the account of, or made available to, the person entitled to the payment.

Currency

The information that a Reporting NZFI reports about an account must be reported in the currency in which the account is denominated and the information reported must identify the currency in which each amount is denominated.

In the case of an account denominated in more than one currency, the Reporting NZFI may elect to report the information in a currency in which the account is denominated and is required to identify the currency in which the account is reported.

If the balance or value of a financial account or other amount is denominated in a currency other than the currency used by a participating jurisdiction when implementing the CRS for purposes of thresholds or limits, a Reporting NZFI must calculate the balance or value by applying a spot rate to translate such balance or value into the currency equivalent. For the purpose of a Reporting NZFI reporting an account,

[183] See p 37 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

the spot rate must be determined as of the last day of the reporting period for which the account is being reported.[184]

7 Format that a Reporting NZFI can use for reporting CRS information

Information about how to report your CRS information is available on the Inland Revenue website ird.govt.nz/crs

8 CRS record-keeping obligations

8.1 Obligation to keep and retain records

Reporting NZFIs will also in addition to their other CRS due diligence and reporting obligations be required to keep records of the steps they have taken and the evidence they have relied upon for the performance of their CRS obligations. This includes a specific requirement for these NZFIs to keep a record of any failure to obtain a required self-certification. These specific CRS obligations are set out in s 22(2) of the TAA and reflect the expectations set out in paragraph IX(A)(1) of the CRS.

These record-keeping requirements will also assist Inland Revenue in monitoring and verifying a Reporting NZFI's compliance with the CRS and addressing any non-compliance including considering the application of any penalties.

In accordance with s 229 of the Contract and Commercial Law Act 2017, Reporting NZFIs have the option of using technology to store source paper documents by electronic means. The main requirements to retain records in this way under that Act, whether the records were originally in paper form or electronic form, are that:

- the integrity of the information contained in the records is to be maintained, and
- the information is readily accessible so as to be usable for future reference.

Accordingly, a Reporting NZFI is able to hold its records in either paper-based form or electronic copies. Records do not need to be the original, and can encompass certified copies, or photocopies (including by microfiche, electronic scan or similar means of electronic storage). As explained further below, there is also sometimes scope for a Reporting NZFI to keep a notation of information or documentation reviewed in defined circumstances.

However, to the extent that information is held electronically, Reporting NZFIs must be able to produce to the Commissioner a paper copy on request. For example, a NZFI that operates a document imaging system will not need to retain original documents for CRS purposes as long as it can easily produce an imaged copy which can be converted into paper form if requested by the Commissioner.

Please note that there is no requirement that such documentation be stored in paper form. Instead, a Reporting NZFI is merely required to store such documentation in a way that can be converted into paper form if requested by the Commissioner.

8.1.1 Records to be in English and retained in New Zealand

In accordance with the general tax record-keeping requirements set out in s 22(2BA) of the TAA, a Reporting NZFI must also retain such records in English, in New Zealand. Records must be able to be produced to the Commissioner, in English, when requested.

However, in accordance with s 22(8)(a) of the TAA, Reporting NZFIs may apply in writing to the Commissioner to keep and retain a record or type of record in a language other than English or Te Reo

[184] See p38 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Māori, in a place outside New Zealand. If the Commissioner approves the application, he may impose any reasonable conditions he considers necessary, and may subsequently vary or withdraw the authorisation.

8.1.2 Period of retention of records

Reporting NZFIs will need to keep such records for seven years from the end of the relevant reporting period in accordance with s 22(2) of the TAA. This is in line with the FATCA record-keeping period.

This includes a specific requirement to keep a record of any failure to obtain a self-certification. This will enable Inland Revenue to request a copy of such records if necessary to determine whether the Reporting NZFI has complied with its due diligence and reporting obligations.

The guidance now outlines how these record-keeping requirements will apply in the following circumstances:

Publicly available information	When a Reporting NZFI relies on publicly available information as part of CRS due diligence (i.e. what records does the NZFI need to keep about the publicly available information it has relied on).
Documentary evidence	When a Reporting NZFI relies on documentary evidence obtained as part of CRS due diligence (i.e. what records does the NZFI need to keep about the documentary evidence it has relied on).
Self-certifications	When a Reporting NZFI relies on a self-certification obtained as part of CRS due diligence (i.e. what records does the NZFI need to keep about a self-certification it obtains).
Self-certifications – verifying	When a self-certification would otherwise fail the "reasonableness test" and a Reporting NZFI gathers further information to determine the veracity of the self-certification (i.e. what records does the NZFI need to keep about such information).
Self-certifications – change in circumstances	When there has been a change in circumstances that calls into question a self-certification a Reporting NZFI has obtained and it has gathered further information to determine the validity of the self-certification (i.e. what records does the NZFI need to keep about such information).
TINs – Pre-existing accounts	The procedures adopted by a Reporting NZFI as part of the requirement to use "reasonable efforts" to obtain TINs for pre-existing accounts held or controlled by reportable persons (i.e. what records does the NZFI need to keep about the steps that it follows for obtaining TINs for such accounts).

This is not an exhaustive list of circumstances where a Reporting NZFI will have CRS record-keeping obligations. The reader should refer to the CRS commentary[185] for further detail about the range of circumstances where they will need to keep records of the steps that they have undertaken and the evidence they have relied upon in carrying out their CRS due diligence and reporting.

8.1.3 Publicly available information

The CRS provides that, in certain defined circumstances, a Reporting NZFI is able to rely on "publicly available" information when carrying out CRS due diligence. For example, by using information published by an authorised government body, information in a publicly accessible register, information disclosed on an established securities market or any publicly accessible classification determined on an industry coding system in order to identify whether or not an entity account holder is a reportable person (see s V(C)(1)(b) and s VI(A)(1)(b)).

[185] The CRS commentary is set out in the document titled "Consolidated text of the Common Reporting Standard (2025)," which includes the amendments to the CRS and CRS commentary (effective as of 1 April 2026).

If a Reporting NZFI relies upon "publicly available" information in carrying out CRS due diligence, it must retain a notation of the type of information reviewed, and the date it was reviewed. The notation will form part of the records the Reporting NZFI is required to retain.

8.1.4 Due diligence – documentary evidence

The CRS also provides scope in certain defined circumstances for a Reporting NZFI to rely on documentary evidence when carrying out CRS due diligence. The relevant types of documentary evidence are summarised in appendix 3. In general, a Reporting NZFI must obtain any relevant documentary evidence on an account-by-account basis. However, a Reporting NZFI may rely upon the documentary evidence furnished by a customer for another account if both accounts are treated as a single account for purposes of satisfying the standards of knowledge requirements in s A of s VII of the CRS.[186] If a Reporting NZFI has relied on such documentary evidence when carrying out its CRS due diligence, it will need to keep a record of that evidence.

A Reporting NZFI does not need to retain original documentary evidence. The evidence may be a certified copy, a photocopy (including a microfiche, electronic scan, or similar means of electronic storage), or at least a notation of the type of documentation reviewed, the date the documentation was reviewed, and the document's identification number if any (for example, a passport number). Any documentation that is stored electronically must be made available in hard copy form upon request.[187]

A Reporting NZFI may also accept a copy of documentary evidence electronically if the electronic system ensures that the information received is the information sent, and documents all occasions of user access that result in the submission, renewal or modification of the documentary evidence.[188] The system must also ensure that the person accessing it and furnishing the documentary evidence is the person named on the documentary evidence. Reporting NZFIs should keep a record of such steps, which must be able to be provided to the Commissioner on request.

8.1.5 Self-certifications

8.1.5.1 Copy of self-certification

As noted above, the CRS often requires Reporting NZFIs to obtain self-certifications from account holders and in certain circumstances controlling persons as to whether or not they are foreign tax residents. The self-certification may be provided in any matter and in any form. A Reporting NZFI must retain a copy of these self-certifications. This may be an original, certified copy or photocopy (including a microfiche, electronic scan or similar means of electronic storage).

If the self-certification is provided electronically, the electronic system must ensure that the information received is the information sent, and must document all occasions of user access including the submission, renewal or modification of a self-certification. The system must also ensure that the person accessing the system and furnishing the self-certification is the person named in the self-certification. A Reporting NZFI must be able to provide on request a hard copy of all electronic self-certifications.[189]

A self-certification may be signed or otherwise positively affirmed by any person authorised to sign on behalf of the account holder or controlling person under domestic law. The self-certification, authorisations to sign and details of user access must be able to be made available to the Commissioner in hard copy upon request. These obligations align with the requirement for a Reporting NZFI to keep records

[186] See p 120 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[187] See p 120 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[188] See p 120 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[189] See p 59 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

available for request by the Commissioner of the steps undertaken and evidence relied upon for the purposes of undertaking due diligence.

Reporting NZFIs are also required to keep a record of any failure to obtain a self-certification. This will assist with monitoring and verifying compliance with the CRS.

8.1.5.2 Positive affirmation

As noted above, for a self-certification to be valid, the CRS requires that it must be signed or "otherwise positively" affirmed by the relevant account holder or if applicable controlling person. In addition to manually signed self-certifications, this allows the self-certification to be completed online or orally, including over the phone.

A self-certification is otherwise positively affirmed if the person making the self-certification provides the Reporting NZFI with an unambiguous acknowledgement that they agree with the representations made through the self-certification. In all cases, the positive affirmation is expected to be captured by the Reporting NZFI in a manner such that it can credibly demonstrate that the self-certification was positively affirmed (e.g. voice recording, digital footprint, etc). The approach taken by the Reporting NZFI in obtaining the self-certification is expected to be in a manner consistent with the procedures followed by the Reporting NZFI for the opening of the account. The Reporting NZFI will need to maintain a record of this process for audit purposes, in addition to the self-certification itself.[190] This aligns with the requirement that a Reporting NZFI keeps a record of both the steps undertaken (which would cover such processes) and evidence that it has relied on (which would cover the self-certification itself) in carrying out CRS due diligence.

8.1.5.3 Incorrect or unreliable self-certifications/change of circumstances

As noted above, a Reporting NZFI cannot rely upon a self-certification for CRS due diligence purposes if it knows, or has reason to know, that the self-certification is incorrect or unreliable.[191]

If a Reporting NZFI has carried out CRS due diligence on a financial account and, as part of that process, obtained a self-certification about the tax residence of an account holder or, if applicable, controlling person, and there is a change of circumstances that causes a Reporting NZFI to know that the original self-certification is incorrect or unreliable, the Reporting NZFI cannot rely upon the original self-certification. The Reporting NZFI would need to obtain either a valid self-certification that establishes the residence for the tax purposes of the account holder (or, if applicable, controlling person), or a reasonable explanation and documentation as appropriate supporting the validity of the original self-certification.

If the Reporting NZFI relies on a reasonable explanation and documentation supporting the validity of the original self-certification it will be required to retain a copy or a notation of the explanation and documentation.[192] This is in addition to the requirement to keep a record of the self-certification itself.

If the Reporting NZFI obtains a new self-certification it would need to keep a record of that self-certification – just like any other self-certification it obtains. Reporting NZFIs are also required to keep a record of any failure to obtain a self-certification.

The CRS commentary[193] also sets out (relevantly) the following example of a circumstance that may call into question the reasonableness of a self-certification and the steps that can be taken. In confirming the reasonableness of a self-certification - for example, on account opening or pursuant to the change in circumstances procedures - Reporting NZFIs may be confronted with instances

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[190] See p 59 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[191] If an account is a reportable account the Reporting NZFI will need to report whether a valid self-certification has been provided for the reportable persons (account holders/controlling persons), as set out in further detail at s 6 of this guidance.
[192] See p 68 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[193] See pp 74-75 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

where an account holder or controlling person has provided documentation issued under a citizenship or residence by investment scheme (CBI/RBI scheme), which allows a foreign individual to obtain citizenship or temporary or permanent residence rights on the basis of local investments or against a flat fee. Certain high-risk CBI/RBI schemes may be potentially misused to circumvent reporting under the CRS. Such potentially high-risk CBI/RBI schemes are those that give a taxpayer access to a low personal income tax rate on offshore financial assets and do not require significant physical presence in the jurisdiction offering the CBI/RBI scheme.

The OECD endeavours to publish information on such potentially high-risk CBI/RBI schemes on its website. The current information in relation to such schemes is set out at Residence/Citizenship by investment schemes | OECD

It is expected that Reporting NZFIs will rely on this OECD-published information in making the determination of whether they have a reason to know that a self-certification that they have obtained is incorrect or unreliable. In particular, where the Reporting NZFI has doubts as to the tax residency(ies) of an account holder or controlling person related to the fact that such person is claiming residence in a jurisdiction offering a potentially high-risk CBI/RBI scheme, the Reporting NZFI should not rely on such self-certification until it has taken further measures to ascertain the tax residency(ies) of such persons, including through raising further questions. Examples of such questions may include:

- whether the account holder/controlling person has obtained residence rights under an CBI/RBI scheme,
- whether the account holder/controlling person holds residence rights in any other jurisdiction(s),
- whether the account holder/controlling person has spent more than 90 days in any other jurisdiction(s) during the previous year, and
- what jurisdictions has the account holder/controlling person filed personal income tax returns in during the previous year.

Such further questions should be asked **as part of** the self-certification validation process and by complying with the time-frames for obtaining and validating self-certifications (as set out above at ss 5.4.2 and 5.6.1 of this guidance, a 90-day back-office validation process can be adopted in certain circumstances when opening a new account). The responses to these questions, accompanied by the relevant supporting documentation where applicable, should assist the Reporting NZFI in ascertaining whether the self-certification passes the reasonableness/validation test. The Reporting NZFI should keep a record of the self-certification and any responses received and other supporting documentation where applicable as part of the self-certification validation process.

8.1.6 Reasonable efforts to obtain a TIN

As noted above, if a Reporting NZFI maintains a pre-existing account that is held (and/or, in the case of a passive NFE, controlled) by a relevant foreign tax resident, and it does not have the person's TIN or functional equivalent in its records, it is required to use reasonable efforts to obtain the person's TIN by the end of the second reporting period following the period in which the account is identified as being held (and/or controlled) by a reportable person.

"Reasonable efforts" in this context means genuine attempts to obtain the TIN, which must be made at least once a year by, for example, contacting the account holder by mail, in person or by phone, including a request made as part of other documentation or electronically (for example, by email) and reviewing electronically searchable information maintained by a related entity of the Reporting NZFI. The Reporting NZFI is also required to use reasonable efforts to obtain the TIN(s) with respect to pre-existing accounts

whenever it is required to update the information relating to the pre-existing account pursuant to New Zealand domestic AML/KYC procedures (i.e. if it has not otherwise obtained such TIN information).[194]

The only exceptions to this are if either:

- the reportable person is tax-resident in a jurisdiction that does not issue either TINs or a functional equivalent (or has not had either a TIN or a functional equivalent issued to them), or
- the reportable person is tax-resident in a jurisdiction that does not require the collection of TINs.

It is expected that a Reporting NZFI would keep a record of the steps that it undertakes to obtain TINs in such circumstances and the evidence of how those policies and procedures are followed. This will assist Inland Revenue in monitoring compliance and, in particular, determining whether the Reporting NZFI has made reasonable efforts to obtain TINs in such circumstances. A procedural manual describing appropriate "reasonable efforts" can be a record describing the "steps" undertaken provided there is also evidence as to how those policies and procedures are followed. In the case of a mail merge, for example, this would not require a Reporting NZFI to keep actual copies of the letters sent, but it must be able to provide, upon request, the document that contains the information that is the same in each version and the data file where the unique information is stored.[195]

9 Penalties regime

This guidance will now, having outlined the obligations Reporting NZFIs have to carry out CRS due diligence including record keeping and reporting, set out the penalties regime that will apply if there is non-compliance.

Section IX(A)(5) of the CRS provides that implementing jurisdictions such as New Zealand are required to have rules and administrative procedures in place to ensure effective implementation of, and compliance with, the CRS due diligence and reporting procedures.

Therefore, a comprehensive suite of obligations and penalties have been introduced to assist with achieving CRS compliance and to address non-compliance.

These obligations cover Reporting NZFIs, and account holders (and other persons connected with accounts – such as intermediaries that hold funds for other persons, and controlling persons). The specific types of penalties are outlined in detail further below. Some of these penalties also apply for the purposes of FATCA, where similar compliance issues arise.

9.1 Penalties regime – financial institutions

In brief terms, financial penalties will apply to Reporting NZFIs that fail to undertake their due diligence obligations, fail to report the requisite information, report inaccurate or false information, or breach their record keeping obligations. This includes:

- civil absolute liability penalties,
- civil penalties for failing to take reasonable care, and
- criminal knowledge-based penalties.

These penalties are all mutually exclusive. For example, if a penalty is imposed on a Reporting NZFI for a failure to take reasonable care an additional absolute liability penalty would not be able to be imposed for that same failure.

This guidance now outlines how these "financial institution" penalties would apply in practice.

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[194] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[195] See p124 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

9.1.1 Civil absolute liability penalties

A Reporting NZFI that does not comply with its CRS obligations could depending on the circumstances be liable for the following absolute liability penalties:

Section 142H(1) of the TAA

There is a $300 penalty per failure (capped at $10,000 per reporting period) to comply with any CRS obligation (other than failing to obtain a self-certification for a new account – see below).

This is subject to a defence that the failure was due to circumstances beyond the Reporting NZFI's control.

For a transitional period ending 30 June 2019, this was also subject to a defence that the Reporting NZFI made reasonable efforts to meet its CRS requirements including making reasonable efforts to correct any failure within a reasonable period of time after becoming aware of the failure. The expressions "reasonable efforts" and "reasonable period" are not explicitly defined in the CRS or domestic tax legislation. As a general guideline, "reasonable" is what is fair, proper or appropriate in the circumstances. The "reasonableness" concept can also be found in the CRS due diligence procedures as well as being a familiar legal concept. For example, in the CRS:

Documentary evidence or a self-certification	A Reporting NZFI cannot rely on documentary evidence or a self-certification that it has reason to know is incorrect or unreliable.[196]
New account self-certifications	A Reporting NZFI must undertake a "reasonableness" review of all new account self-certifications.
TINs or functional equivalent[197] and date of birth	A Reporting NZFI must make reasonable efforts to obtain TINs or functional equivalent[198] and date of birth information for pre-existing accounts (i.e. of relevant foreign tax residents that hold or control such accounts) within two years of the end of the reporting period when an account is identified as being held or controlled by a reportable person. The CRS commentary provides guidance of what is "reasonable" in this context.[199]

In simple terms, "reasonable effort" and "reasonable period" should be assessed in terms of what a prudent Reporting NZFI would consider appropriate in the same or similar circumstances.

As assessment of whether a Reporting NZFI has made "reasonable efforts" or rectified an error within a "reasonable period" of time will depend on matters such as the nature of the failure/error, including whether reasonable procedures were in place and how difficult it would be to rectify the error.

What may constitute "reasonable efforts" may also depend on the type of account (i.e. pre-existing or new). For example, the CRS commentary acknowledges that "reasonable efforts" in the context of pre-existing individual account due diligence would not necessarily involve the Reporting NZFI closing, blocking or transferring the account, nor conditioning or otherwise limiting its use if the Reporting NZFI is unable to obtain CRS information such as an account holder's TIN.[200] However, the CRS commentary is also clear that a more rigorous standard is required for new account due diligence. For example, the CRS commentary sets out the base expectation that valid self-certifications will always be obtained for new accounts.[201] The meaning of "reasonable efforts" in the defence to the imposition of penalties under ss 142H(1) and (3) (see

[196] See p 74 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[197] This is subject to the various exceptions outlined above (for example, the exceptions set out at s 5.3.2.1 of this guidance).
[198] This is subject to the various exceptions outlined above (for example, the exceptions set out at s 5.3.2.1 of this guidance).
[199] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[200] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[201] See p 57 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

below) needs to be read in this context (i.e. a higher standard is required to meet this level of reasonable efforts for new accounts). This reflects the fact that the Reporting NZFI has more control for new accounts. For example, it could simply not open an account if an account holder fails to provide a self-certification.

Section 142H(3) of the TAA

There is a $300 penalty per account (capped at $10,000 per reporting period) for failure to obtain a required self-certification on account opening. This was subject to a defence for the transitional period ending 30 June 2019, that the Reporting NZFI made reasonable efforts to meet its CRS requirements including making reasonable efforts to correct any failure within a reasonable period of time after becoming aware of the failure, as set out above.

9.1.1.1 "Failure" to meet a CRS requirement (other than obtaining a self-certification) under s 142H(1)

A penalty will (subject to the application of the defences) be imposed under s 142H(1) of the TAA for a "failure" to comply with a CRS obligation other than an obligation to obtain a self-certification for a new account. The following principles are relevant when determining what constitutes a "failure" in this context.

The CRS is concerned with Reporting NZFIs obtaining and where relevant reporting "financial account" information. In this context, a "failure" under s 142H(1) would generally be an error that relates to a single account (i.e. failure to carry out sufficient due diligence or reporting in relation to a single account).

If a Reporting NZFI fails to carry out due diligence on a particular account and, as a result of that error, does not report the account this would generally also be considered a single "failure" as opposed to two failures. This is because the reporting error is, essentially, a corollary of the due diligence failure. A systemic error that merely incidentally affects a number of accounts would generally constitute a single failure.

There is a $10,000 cap that will apply for penalties in a particular period under s 142H(1).

Example 1
A Reporting NZFI fails to carry out due diligence on one of its pre-existing entity accounts by 30 June 2019 (the deadline for carrying out the initial review of such accounts).
This would constitute a "failure" under s 142H(1). The issue of whether a penalty would be imposed under s 142H(1) would be a question of fact and would depend on whether any of the defences apply.

Example 2
On 20 June 2018 a Reporting NZFI reports its CRS information for the first reporting period. The Reporting NZFI's computer system has a virus that corrupts 30 of the accounts that it reports. This means that the Reporting NZFI's report contains errors related to 30 accounts. This would constitute a single "failure" under s 142H(1), not 30 failures. The issue of whether a penalty would be imposed under s142H(1) would be a question of fact and would depend on whether any of the defences apply.

9.1.1.2 "Failure" to obtain a self-certification under s 142H(3)

A penalty will also be able to be imposed under s 142H(3) where a Reporting NZFI fails to obtain a self-certification for a new account, subject to a "reasonable efforts" defence that ended on 30 June 2019.

Section 142H(3) is specifically worded so that the "failure" is on a per account basis (i.e. if there is failure to obtain one or a number of self-certifications for a particular account a penalty of $300 will apply). There is a $10,000 cap that could apply for penalties in a particular period under s 142H(3).

Example 1
On 1 September 2017 Bob attempts to open a depository account with a Reporting NZFI bank. The Reporting NZFI seeks a self-certification from Bob. Bob does not provide a self-certification. The Reporting NZFI completes the account opening process even though Bob has not provided the required self-certification. This includes allowing Bob to deposit $10,000 into the account.
The CRS provides that such self-certifications must always be obtained for new accounts. As noted above, the OECD has confirmed in an answer to a "frequently asked question" on the AEOI portal[202] that self-certifications must generally be obtained at "day one of the account opening process".
Reporting NZFI has failed to obtain a self-certification from Bob on his account opening (a "failure" under s 142H(3)). The Reporting NZFI could have simply not opened the account in the first place (i.e. made the opening of the account contingent on obtaining Bob's self-certification). The Reporting NZFI's decision to open the account without first obtaining Bob's self-certification was not a reasonable step.
Therefore, the Reporting NZFI has not made "reasonable efforts" to obtain a self-certification from Bob on account opening. Accordingly, a penalty of $300 could be imposed on the Reporting NZFI under s 142H(3).[203] Alternatively, a penalty could potentially be imposed under s 142H(5) (see below).
The Reporting NZFI would also be expected to take reasonable steps to continue to try to obtain the required self-certification from Bob. These reasonable steps could, depending on the circumstances, freezing or closing the account if Bob continues to refuse to provide the self-certification. This is consistent with the expectation as outlined above that a self-certification will always be obtained for new accounts. The Reporting NZFI should also keep a record of its failure to obtain a self-certification.

Example 2
On 1 October 2017 Cameron attempts to open a depository account with a Reporting NZFI. The Reporting NZFI seeks a self-certification from Cameron. Cameron advises that he cannot provide a self-certification on that day because he does not have all of the information with him to make the certification. The Reporting NZFI informs Cameron that it can undertake account pre-opening procedures including allocating a number to Cameron for administrative purposes, but that the account will not be opened, and indeed, the account opening procedures cannot be progressed, until he provides the self-certification (i.e. the Reporting NZFI informs Cameron that he will not be able to deposit funds into the account and/or make transactions with respect to the account until he provides the certification). Cameron does not provide a self-certification. The Reporting NZFI keeps a record of Cameron's failure to provide the self-certification.
The Reporting NZFI has not obtained a self-certification from Cameron. However, the Reporting NZFI has not proceeded with the account opening process in a material sense. The Reporting NZFI would not be liable for a penalty of $300 under s 142H(3).oo

9.1.1.3 Civil penalties on financial institutions for lack of reasonable care

A Reporting NZFI that does not comply with its CRS obligations could depending on the circumstances be liable for a penalty for lack of reasonable care under s 142H(5) of $20,000 for the first failure and $40,000 for each further failure (capped at $100,000 per reporting period).

The concept of "reasonable care" as applied under New Zealand law should be applied. What will amount to taking reasonable care will be dependent upon the facts and circumstances of each case. As a general guide, it will be determined in the context of the degree of caution and concern which a prudent Reporting NZFI would use in similar circumstances.

This is, essentially, the same point made above about what would constitute "reasonable efforts".

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[202] oecd.org/en/topics/international-standards-on-tax-transparency.
[203] This may also involve a breach of section s 142H(5), which is outlined below. If that was the case, a penalty may, therefore, be imposed under section s 142H(5), instead of section s 142H(3).

Example
A Reporting NZFI sets up its CRS due diligence procedures, but does not build into these procedures the fact that it is required to carry out due diligence on its pre-existing entity accounts by 30 June 2019 (the deadline for carrying out the initial review and reporting of such accounts). As a result of this, the Reporting NZFI failed to carry out due diligence on its pre-existing accounts by 30 June 2019.
The Reporting NZFI would be liable for a penalty under s 142H(5). A prudent Reporting NZFI would have built into its due diligence procedures the requirement to finish its pre-existing entity account due diligence by 30 June 2019.

The Reporting NZFI would be liable for a penalty of at least $20,000 for this failure. It is likely that this would be considered to be a systemic failure that simply incidentally affects multiple accounts. If this is the case, there would be a single failure and penalty for that failure of $20,000. The maximum amount of penalties that could be imposed under s 142H(5) in a reporting period is $100,000. **9.1.2 Criminal knowledge-based penalties**

A Reporting NZFI that knowingly does not comply with its CRS obligations could depending on the circumstances be liable for a penalty under s 143A of the TAA for the following types of offences:

Knowingly not keeping documents	Knowingly not keeping documents required to be kept by a tax law.
Knowingly not providing information	Knowingly not providing information to the Commissioner when required to do so by a tax law. This is subject to a defence that can apply if the person – the Reporting NZFI in this context – does not have the information in its knowledge, possession, or control.
Knowingly providing altered, false, incomplete or misleading information	Knowingly providing altered, false, incomplete or misleading information to the Commissioner in respect of its CRS obligations.

The penalties that apply for such offences, upon conviction, are $25,000 for a first offence, and up to $50,000 for subsequent offences.

Example
A Reporting NZFI has in place enhanced due diligence procedures for pre-existing individual accounts, where the only indicia is a "hold mail" instruction or "in-care-of" address and there is no other address on file. The Reporting NZFI seeks to obtain a self-certification from the account holder to determine their status. The account holder does not provide a self-certification. The Reporting NZFI is aware of its obligations to keep a record of a failure to obtain a self-certification (see s 22(2)(1c) of the TAA). However, it decides not to keep a record of the failure.
The Reporting NZFI would have knowingly failed to keep records of the steps it has undertaken, and any evidence it has relied upon, for the purposes of undertaking its due diligence obligations under the CRS set out in part 11B of the TAA.
Therefore, the Reporting NZFI would have knowingly not kept documents required to be kept by a tax law. Accordingly, a penalty could be imposed on the Reporting NZFI, upon conviction, under s 143A of the TAA.

9.2 Penalties regime – information providers

As noted above, Reporting NZFIs have obligations to undertake due diligence on their accounts to identify accounts held and/or, in the case of passive NFEs, controlled by relevant foreign tax residents, to collect prescribed information about such persons, and to report[204] prescribed identity and financial account information about those persons and accounts to Inland Revenue[205]. Reporting NZFIs are potentially subject to penalties if they do not comply with these obligations.

As part of this due diligence process, a Reporting NZFI may - depending on the type of account - be required to take the following steps to identify relevant foreign tax residents:

Account holder	Request self-certifications and other information from account holders (including a passive NFE account holder about its status or the status of its controlling persons) – i.e. about whether such account holders/controlling persons are relevant foreign tax residents.
Intermediary or nominee	Request and obtain information from a person acting on behalf of an account holder (e.g. intermediary or nominee[206]that is not the account holder) about the account holder and if the account holder is a passive NFE the account holder's controlling persons – i.e. about whether such account holders/controlling persons are relevant foreign tax residents.
Controlling person	Request self-certifications and other information from a controlling person of a passive NFE – i.e. about whether the controlling person is a relevant foreign tax resident.

The Reporting NZFI will request this information so it can determine whether the account is held or controlled by a relevant foreign tax resident and obtain information about such accounts that it may need to report. (Inland Revenue has produced "tax residence" guidance that may assist persons that are unsure as to where they are tax resident. This guidance can be found at the following link ird.govt.nz/international.)

Therefore, account holders, intermediaries/nominees, and controlling persons will sometimes be asked to obtain and/or provide information, generally about whether they or the persons they hold funds for are foreign tax residents, to assist a Reporting NZFI to carry out its due diligence. This will often be by way of a self-certification particularly for new accounts. A self-certification will generally involve such persons signing or otherwise affirming whether they or persons that they hold funds for are relevant foreign tax residents.

The persons who will need to obtain and/or provide information about their tax residency and/or the tax residency of persons that they hold funds for will be referred to as "information providers" for the purposes of the following guidance.

Various requirements have been introduced into the TAA for information providers to obtain and/or provide such information.

The policy basis for these requirements is to require information providers to obtain and provide such information to assist Reporting NZFIs to obtain the information that they are required to report to Inland Revenue for exchange. Furthermore, information providers often control the information or at least can take reasonable steps to obtain this information that the Reporting NZFI is required to obtain.

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[204] As noted above, this would apply if either the relevant foreign tax resident is a reportable person from a reportable jurisdiction, or for all relevant foreign tax residents if the Reporting NZFI otherwise chooses to adopt the wider approach to reporting.
[205] Reporting NZFIs will also need to report undocumented accounts.
[206] This would apply to those intermediaries or nominees that are not financial institutions.

These requirements on information providers will apply for the purposes of both CRS and FATCA. The requirements are set out in s 185P of the TAA as follows.

This section applies to a person or entity associated with a financial account if the financial institution that maintains the financial account is required under the FATCA agreement or CRS applied standard (the account requirements) to perform due diligence for the financial account.

When a financial institution requests a person or entity (the institution contact) to provide information or a self-certification that the financial institution is required to obtain under the account requirements for the financial account, the institution contact must:

a. provide to the financial institution the required information or self-certification for the institution contact, and
b. make reasonable efforts to obtain the required information or self-certification for each other person or entity associated with the financial account, and provide the information and self-certifications to the financial institution.

When a person or entity associated with the financial account (the secondary contact) is asked by an institution contact or other person or entity (the requesting person) to provide information or self-certifications related to the financial account and referred to in subsection (2)(b), the secondary contact must:

a. provide the requesting person with the required information or self-certification for the secondary contact, and
b. make reasonable efforts to obtain the required information or self-certification for each other person or entity associated with the financial account and the secondary contact, and provide the information and self-certifications to the requesting person.

If a person or entity provides information or a self-certification to another person or entity as required by this section, the person or entity must inform the other person or entity of any material change in circumstances affecting that information or self-certification within a reasonable time of becoming aware of the material change.

Inland Revenue has produced an account holder brochure (IR1033) which summarises these requirements. This brochure can be found at ird.govt.nz/forms-guides/number/forms-1000-1099/ir1033-automatic-exchange-of-information

9.2.1 Civil penalties

If an information provider does not comply with the above requirements they can be subject to a penalty under s 142I of the TAA of $1,000, subject to various defences, outlined below, for the following offences, which will apply for both CRS and FATCA purposes:

Providing false information (other than a self-certification)	Providing false information, other than a self-certification, relating to the information provider (or to another person or entity).
False self-certification	Signing or otherwise affirming a false self-certification for the information provider (or for another person or entity).
Failing to provide information (other than a self-certification)	Failing to provide information, other than a self-certification, relating to the information provider (or relating to another person or entity) within a reasonable time after receiving a request for the information.
Failure to provide a self-certification	Failing to sign, or otherwise affirm, and provide a self-certification related to the information provider (or relating to another person or entity) within a reasonable time after receiving a request.
Material change in circumstances	After providing a person or entity with a self-certification or other information, failing to inform the person or entity of a material change in the circumstances relating to the self-certification or information within a reasonable time after becoming aware of the change.

Defences

The above penalties are subject to the following defences. There is a "no fault" defence where the information is within the control of the information provider, but where the information provider is not at fault. There is also a "reasonable efforts" defence where the information relates to another person or entity and is not within the control of the information provider (e.g. an intermediary acting on behalf of an account holder) and the information provider has made reasonable efforts to obtain and provide the information.

Example 1
A Reporting NZFI undertakes new entity account due diligence on a family trust account holder and obtains a self-certification from the trust that it is a passive NFE. The Reporting NZFI then asks the trust to obtain self-certifications from its controlling persons as to whether any such persons are relevant foreign tax residents. In turn, the trust asks for self-certifications from its controlling persons as to their tax residency. One mandatory beneficiary (a controlling person) does not provide a self-certification of their tax residency, even though they are able to provide this information.
The mandatory beneficiary will be subject to a penalty of $1,000 under s 142I(f) for refusing to provide a self-certification. The beneficiary has no defence as they are at fault. The passive NFE would not be subject to such a penalty. This is because it has made reasonable efforts to obtain the requisite self-certification from the beneficiary.

Example 2
A Reporting NZFI maintains a pre-existing entity account held by a trust. The Reporting NZFI tries to ring the trustee's New Zealand land line to obtain a self-certification as to whether the trust is a passive NFE. The trustee is on a six-month holiday in Europe, so does not respond to the call, and has left no forwarding contact details.
The trustee is not at fault and would not be liable for a penalty for failing to provide a self-certification.

9.2.2 Criminal knowledge-based penalties

Information providers can also be subject to criminal penalties under s 143A of the TAA in the following circumstances.

If they knowingly fail to provide information to another person when required to do so under Part 11B. This is subject to a defence that would apply in certain circumstances where the person does not have the information in their knowledge, possession or control.

If they Knowingly provide altered, false, incomplete or misleading information to another person in respect of a matter or thing relating to a requirement in Part 11B.

The penalties that would apply for such offences, upon conviction, are $25,000 for a first offence, and up to $50,000 for subsequent offences if convicted of the offences listed above. These penalties apply for both CRS and FATCA purposes.

Example
A Reporting NZFI asks a passive NFE account holder to confirm whether any of its controlling persons are relevant foreign tax residents. The account holder, in turn, asks its controlling persons to provide such information to it. One of the controlling persons (for example, a settlor) has this information but deliberately does not respond to the account holder's request.
The controlling person would be guilty of a knowledge offence under s 143A upon conviction.
The penalties that would apply for such offences, upon conviction, are $25,000 for a first offence, and up to $50,000 for subsequent offences.

10 CRS requirement to have an avoidance provision

As noted above, s IX(A)(1) of the CRS requires that implementing jurisdictions such as New Zealand have rules to prevent financial institutions, persons or intermediaries from adopting practices intended to circumvent the CRS due diligence and reporting procedures. The CRS commentary on the application of s IX states that the form of the CRS "anti-avoidance" rule is not important as long as the rule is effective to prevent circumvention of the CRS reporting requirements and the due diligence procedures. The CRS commentary provides that an implementing jurisdiction's anti-avoidance rule needs to cover arrangements set out in the following examples:[207]

[207] See p123 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

Example 1
Shift maintenance of an account: A Reporting Financial Institution advises a customer to maintain an account with a related entity in a non-participating jurisdiction that enables the Reporting Financial Institution to avoid reporting while offering to provide services and retain customer relations as if the account was maintained by the Reporting Financial Institution itself. In such a case, the Reporting Financial Institution should be considered to maintain the account and have the resulting reporting and due diligence requirements.

Example 2
Year-end amounts: Financial Institutions, individuals, entities or intermediaries manipulate year-end amounts, such as account balances, to avoid reporting or being reported on.

Example 3
Park money with qualified credit card issuers: Individuals or entities park balances from other reportable accounts with qualified credit card issuers for a short period at the end of the year to avoid reporting.

Example 4
Electronic records and computer systems: A Reporting Financial Institution deliberately does not create any electronic records (such that an electronic record search would not yield any results) or maintains computerised systems artificially dissociated (to avoid the account aggregation rules).

The common theme in each of these examples is that an arrangement has been entered into to circumvent the CRS due diligence and reporting obligations. This is an important part of the background context to the following guidance.

10.1 New Zealand's anti-avoidance provision

In order to meet the OECD's expectations set out in s IX of the CRS, a specific anti-avoidance rule has been introduced into s 185R of the TAA. This provision will have application for both CRS and FATCA purposes.

Section 185R (1) provides that if a main purpose of a person in entering an arrangement is to avoid a requirement under this part (Part 11B) the arrangement is treated as having no effect in relation to the person's requirements under this part (Part 11B).

Part 11B is the subpart of the TAA that contains the FATCA and CRS due diligence and reporting requirements of NZFIs,[208] and the information collection and provision requirements applicable to persons or entities connected with a financial account (information providers), to assist NZFIs in carrying out their FATCA and CRS obligations.

Section 185R(2) provides that when an arrangement has been voided as having no effect under s 185R(1) (the anti-avoidance rule discussed above) the person has the requirements under Part 11B that "the Commissioner considers appropriate in the absence of the arrangement". This section allows the Commissioner to reconstruct the avoidance arrangement to ensure that the CRS requirements are best complied with.

This guidance now outlines the following matters that are relevant to s 185R(1) - what constitutes an "arrangement" under s 185R(1), and what is meant under s 185R(1) by "a main purpose of a person" in entering into such an arrangement being to "avoid a requirement" that they have under Part 11B.

[208] These obligations are set out in ss 185E to 185O of the TAA.

10.2 What constitutes an "arrangement" under s 185R(1)

The term "arrangement" is broadly defined in the domestic context[209] to mean an agreement, contract, plan, or undertaking, whether enforceable or unenforceable, including all steps and transactions by which it is carried into effect. The s YA 1 "arrangement" definition also applies to s BG 1 of the ITA, and the same definition is used in s 76 of the Goods and Services Tax Act 1985 – the general anti-avoidance provisions applying to Income Tax and GST respectively. This broad definition, as interpreted by New Zealand courts and in the avoidance context, should be applied when applying s 185R(1) of the TAA as this provision does not provide a specific alternate definition for the term.

10.3 What is meant by "a main purpose of a person" in entering into such an arrangement being to "avoid a requirement under" Part 11B

Section 185R(1) of the TAA would apply if a person or entity enters into such an arrangement with a main purpose of avoiding a requirement under Part 11B. Such an arrangement would be treated as having no effect in relation to the person's requirements under Part 11B.

As noted above, Part 11B is the subpart of the TAA that contains the FATCA and CRS due diligence and reporting requirements of NZFIs[210], and the information collection and provision requirements applicable to persons or entities connected with a financial account to assist NZFIs in carrying out their FATCA and CRS obligations.

Section 185R(1) would apply if a person entered into an arrangement with a main purpose of avoiding such a requirement.

There are some important points to highlight here. The avoidance purpose need only be "a" "main purpose" of a person in entering into the arrangement. It does not need to be the person's only purpose. Furthermore, it is the avoidance purpose of "a person" in entering into the arrangement that is relevant, not the purpose of the "arrangement".

If such a person enters into an arrangement with a main purpose of avoiding their requirements under part 11B of the TAA the arrangement would have no effect in relation to those requirements. For example, if a person or entity[211] associated with a financial account (such as the account holder) entered into an arrangement with a main purpose of avoiding a requirement to provide required information about the account to the Reporting NZFI, that arrangement would have no effect (would be void) in relation to that person's requirements under Part 11B.

The reference to a "main" purpose in this context would cover a "substantial" purpose. This would be a higher threshold than when such avoidance is merely incidental (i.e. a mere result of due diligence and reporting not applying would not, in and of itself, be enough for s 185R(1) to apply).

10.3.1 The avoidance purpose need only be "a" main purpose

Section 185R(1) also refers to "a" main purpose of avoidance, so that it is not a requirement to the section applying that the avoidance purpose be the "sole" purpose or "the" main purpose. An arrangement might be entered into with several main purposes.

Provided one of those main purposes is the avoidance of a requirement, then s 185R(1) can apply to void the arrangement in relation to the person's requirements.

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[209] Refer to s YA 1 ITA for the definition of the term "arrangement".
[210] These obligations are set out in ss 185E to 185O of the TAA.
[211] Section 185Q of the TAA would apply to the extent that the entity is not a person.

10.3.2 The avoidance purpose of "a person"

Section 185R(1) refers to "a main purpose of a person" in entering into an arrangement being to avoid a requirement they have under Part 11B. This is a subjective test to be viewed from the perspective of the person entering into the arrangement. However, the Commissioner is permitted to test the veracity of an asserted subjective purpose by considering objective evidence.

Example 1
A Reporting NZFI bank maintains an account held by Tom. Tom wants to move to Australia. Tom opens another account in Australia. Tom calls the bank to close the account and instructs the bank to transfer the funds to Australia.
This arrangement, would on the face of the facts provided, not be avoidance under s 185R(1). This is because the arrangement is clearly entered into because of Tom moving to Australia. It is not an arrangement entered into with a main purpose of avoiding CRS due diligence and reporting. The fact that the arrangement would mean that the Reporting NZFI would not need to carry out any ongoing due diligence in the future on the account would not by itself constitute avoidance under s 185R(1). Instead, any such avoidance appears to merely be an incidental effect of the arrangement. This can be easily contrasted with the four examples of avoidance set out in the CRS commentary referred to above, which clearly involve arrangements entered into with a main purpose of avoiding CRS and where such avoidance is a driver of the arrangement.

Example 2
A Reporting NZFI maintains an account held by Steve. Steve is a foreign tax resident from a Reportable Jurisdiction.
Steve does not want to be reported on for CRS purposes because he has not paid tax in his jurisdiction of tax residence on his foreign investments. The Reporting NZFI offers a service of relocating Steve's accounts to a related entity resident in a jurisdiction that is not a participating jurisdiction, so that Steve will be able to avoid being reported on for CRS purposes. Steve accepts the Reporting NZFI's offer. He is not moving to the jurisdiction that is not a participating jurisdiction. However, he wants to move his accounts to that jurisdiction, so that he will not be reported for CRS purposes.
This arrangement would be avoidance under s 185R(1). Clearly, a main purpose of Steve and the Reporting NZFI entering into the arrangement is to avoid CRS reporting. This conclusion is supported by the background context to s 185R(1). The arrangement is very similar to example 1 in the CRS commentary referred to above. This is precisely the type of arrangement that is intended to be captured by this provision.

Example 3
The same facts as example 2 above. However, the related entity in the jurisdiction that is not a participating jurisdiction is able to provide financial accounts which provide a rate of return slightly higher than the New Zealand accounts would. Steve asserts that a main purpose for relocating the accounts into a jurisdiction that is not a participating jurisdiction was to derive a better rate of return. Section 185R(1) would still be applicable because Steve and the Reporting NZFI still entered into an arrangement with "a" main purpose of avoiding a CRS requirement. This is the case even though there is arguably a "commercial" purpose for the decision as well.

10.4 Reconstruction

As noted above, s 185R(2) of the TAA provides that when an arrangement has been voided as having no effect under s185R(1) the person has the requirements under Part 11B that "the Commissioner considers appropriate in the absence of the arrangement". This section allows the Commissioner to reconstruct the avoidance arrangement to ensure that the CRS requirements are best complied with.

Example
A Reporting NZFI advises a customer to shift an account to a related entity in a jurisdiction that is not a participating jurisdiction with a main purpose of avoiding the CRS due diligence and reporting obligations. The Commissioner could consider the Reporting NZFI as nonetheless "maintaining the account" and therefore continuing to have the resulting CRS reporting and due diligence obligations.

11 Application of CRS to particular types of entities and structures

11.1 Trusts

Overview

The following guidance provides a high-level summary of how the CRS applies to trusts. A trust is a fiduciary relationship where property is settled by a settlor on a trustee who acts and holds the property for the benefit of specified beneficiaries usually in terms of a trust deed. Such trusts are often referred to as "express trusts". A discretionary trust is a common example of an express trust. A protector may also be appointed in connection with a trust. A protector's role is to ensure that the trustee acts in accordance with their powers as authorised in the trust deed.

A trust is defined in s VIII(E)(3) of the CRS as being an "entity". All trusts will be entities irrespective of whether they are revocable or irrevocable. The fact that a trust is an entity[212] for CRS purposes means that a trust will either be a financial institution (commonly as an investment entity), or a NFE (passive NFE or active NFE).

If a trust is a Reporting NZFI it will have CRS due diligence and reporting obligations in New Zealand. A Reporting NZFI trust[213] will potentially be subject to penalties (referred to above) if it fails to comply with these obligations.

If a trust is a NFE that holds a financial account with a Reporting NZFI it will be subject to due diligence and possibly reporting **by that Reporting NZFI** in New Zealand. The NFE trust will as part of this process have obligations (referred to above) to provide self-certifications and other information on request to the Reporting NZFI to assist the NZFI with its own due diligence. If the NFE trust is a passive NFE, this will include providing details of its controlling persons to the Reporting NZFI. The NFE trust[214] will potentially be subject to penalties (referred to above) if it fails to provide this information.

The following guidance for how the CRS applies to trusts is split into three key parts as set out below.

The first part of this guidance outlines the circumstances when a trust will be a Reporting NZFI with due diligence and reporting obligations in New Zealand. This will address the following points:

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[212] In contrast, an individual cannot be a financial institution.
[213] Section 185Q of the TAA sets out how penalties would apply for those entities that are not persons. For a trust, such penalties will be imposed on each trustee.
[214] Section 185Q of the TAA sets out how penalties would apply for those entities that are not persons. For a trust, such penalties will be imposed on each trustee.

Financial Institution	When a trust will be a "financial institution.
New Zealand Financial Institution	When a trust will be a "New Zealand" financial institution (NZFI).
Reporting New Zealand Financial Institution	When a trust will be a "Reporting" NZFI.
Due diligence and reporting obligations	What a Reporting NZFI trust's due diligence and reporting obligations are.

The second part of this guidance for how the CRS applies to trusts deals with the circumstances when a NFE trust holds an account with a Reporting NZFI and is subject to due diligence and potentially reporting by **that Reporting NZFI**. This part of the guidance also outlines the obligations that the trust, and sometimes controlling persons of the trust, will have to provide self-certifications and other information to assist the Reporting NZFI in carrying out this due diligence.

The third part of this guidance for trusts provides a high-level summary of how the CRS will apply to the following types of trusts - family trusts, charitable trusts, foreign trusts, and Solicitors' trust accounts.

11.1.1 When will a trust be a Reporting New Zealand Financial Institution?

A trust will be a Reporting NZFI if it is a "financial institution", it is a "New Zealand" financial institution (NZFI), and it is a "Reporting" NZFI. This guidance now explains all of these "building blocks" for when a trust will be Reporting NZFI.

11.1.2 When will a trust be a financial institution?

A "financial institution" is defined in the CRS as covering the following types of entities -depository institution, custodial institution, investment entity, and specified insurance company

These types of financial institution are outlined in detail in s 3.1 of this guidance. They generally require that the entity carries on a particular type of business for customers (such as a bank – depository business for customers). However, as explained further below, an entity such as a trust can be a "managed investment entity" **even if** it does not carry on a business for customers.

The following chart provides a high-level summary of the circumstances when a trust will be a financial institution, and with these circumstances expanded on further below:

Step		Yes	No
1	Does the trust carry on a "business" for customers?	Go to Step 2	Go to step 3
2	Does the trust meet the criteria for any of the following types of financial institutions? [The trust is an "in business" investment entity (that is not excluded from the definition of "investment entity"), or another type of financial institution.]	The trust is an "in business" financial institution	Go to step 3
3	Does the trust meet all of the following criteria? [The trust is managed by a financial institution,[215] its gross income is primarily attributable to investing, reinvesting, or trading in financial assets or relevant crypto-assets,[216]and it is not excluded from the definition of "investment entity."]	The trust is a "managed" investment entity financial institution	The trust is a NFE

The type of financial institution that is most likely to apply to trusts is the investment entity category. Therefore, the following guidance focuses on this type. A trust will be an investment entity[217]if it is an "in business" investment entity, or if it is a "managed" investment entity. This guidance will now expand on these points.

When will a trust be an "in business" investment entity?

A trust will be an "in business" investment entity if it primarily (50% or more) conducts as a business the following specified investment activities for customers:

- trading in money market instruments, foreign exchange, exchange, interest rate and index instruments, transferable securities, or commodities futures trading,
- individual and collective portfolio management, or
- otherwise investing, administering or managing financial assets, money, or relevant crypto-assets on behalf of persons.

For these purposes, the term "otherwise investing, administering, or managing financial assets, money, or relevant crypto-assets on behalf of other persons" does **not** include the provision of services effectuating exchange transactions for or on behalf of customers.[218]

A trust will be treated as "primarily conducting as a business" these specified investment activities for customers if its gross income from these activities equals or exceeds 50% of the trust's gross income over the following specified period. The specified period is **the shorter of** the three-year period ending on 31 March of the period preceding the period in which the determination is made, or the period during which the entity has been in existence.

[215] Other than where the "manager" is itself a managed investment entity.
[216] The specified period that is used to determine whether this "gross income" test is satisfied is set out at s 3.1.3 of this guidance.
[217] However, an active NFE coming within s VIII(D)(9)(d)-(g) of the CRS is excluded from being an investment entity. This exclusion is unlikely to apply to trusts, so will not be considered here. However, readers should refer to the definition of "active NFE" in appendix 4 for further detail about this exclusion.
[218] See s VIII(A)(6) of the CRS.

The following types of trusts would generally be "in business" investment entities - a unit trust, a collective investment vehicle constituted as a trust, and a managed investment scheme (under the Financial Markets Conduct Act 2013) constituted as a trust.

Other common forms of trusts, such as family trusts, would generally not carry on a business for customers. However, as explained below, they could still, depending on the circumstances, be managed investment entities.

Example
Trevor Funds is a managed investment scheme that carries on as its business collective portfolio activities for customers. It derived all of its income from such activities over the specified period.

Is it an "in business" investment entity?

Yes. Trevor Funds carried out specified investment activities for customers (collective portfolio management) and derived its income primarily from such activities over the specified period. Therefore, it is an "in business" investment entity.

When will a trust be a "managed" investment entity?

The second type of investment entity is a "managed" investment entity. A trust will be a managed investment entity if:

- it derives its income primarily (50% or more) from investing, reinvesting or trading in financial assets or relevant crypto-assets over the specified period, and
- it is managed by a financial institution (other than a managed investment entity).

For example, a trust that primarily derives its income from such specified activities may be managed by a corporate trustee (or other financial institution – such as a provider of discretionary investment management services) that is a financial institution.

This guidance will now set out what is meant by “financial asset” and “managed” in this context.

What is the meaning of "financial asset"?

The term "financial asset" is generally intended to encompass any asset that may be held in an account. Some examples of assets that would be "financial assets" are shares, bonds, debentures, interests in relevant crypto-assets, and money. However, the term "financial asset" does not include a non-debt direct interest in real property; or a commodity that is a physical good, such as wheat.

What is the meaning of being "managed" by a financial institution?

An entity will be regarded as "managed" by another financial institution that performs specified investment activities for it where that financial institution has discretionary authority to manage the entity's assets either in whole or in part.

A financial institution trustee will generally manage a trust. A trustee may also outsource management of the trust's assets either in whole or part. For example, where the trustee of a family trust sets the parameters within which a fund manager can invest some or all of the trust's assets, but gives the fund manager full discretion to invest within those parameters, the trust's assets will be managed by the fund manager. However, where the trustee retains full control over the investment decisions and the fund manager simply acts on instruction from the trustee without discretion, the assets will not be managed by the fund manager.

Furthermore, if a financial institution merely provides advice to an entity, this will not be sufficient by itself to mean that the financial institution manages the entity. It is the discretionary authority to manage the entity's assets either in whole or in part that is crucial.

An entity may be managed by a mix of other entities and individuals. If any of the persons involved in the management of the entity is a financial institution, then the entity will be regarded as managed by that financial institution. The residence of the financial institution manager is not relevant. This part of the definition of "managed investment entity" simply requires that the manager is a financial institution (i.e. it does not specify where that institution needs to be resident).

Example 1:
A trust set up in New Zealand has the following investments:
• shares under discretionary investment with a financial institution fund manager (a provider of discretionary investment management services – DIMS provider); and
• a rental property.

The trust derived 80% of its income from the shares (financial assets) over the specified period. The trust derived the other 20% of its income from the rental property.

Is the trust a "managed" investment entity?

Yes. The trust derived its income primarily (50% or more) from financial assets (shares) over the specified period. The trust's assets are also managed (in part) by a financial institution (the Reporting NZFI fund manager – DIMS provider). Therefore, the trust is a managed investment entity financial institution. It is assumed for the purposes of this example that none of the exceptions in the definition of "investment entity" are applicable. These exceptions are referred to at s 3.1.3 of this guidance.

Example 2:
The facts are the same as example 1. However, the trust decides to acquire three more rental properties. The trust now derives 60% of its income from rental properties (and 40% from the shares).

Is the trust a "managed" investment entity?

No. The trust derived its income primarily from direct interests in real property (not financial assets). Therefore, the trust is not a managed investment entity.

Example 3:
A trust has assets that comprise a share portfolio and the family home. The trust has two individual trustees, one of which has been empowered to manage the trust's assets. The trust does not outsource any management of its assets to any financial institution. The trust derives its income primarily from the shares.

Is the trust a "managed" investment entity?

No. The trust is managed by an individual trustee – an individual is not an "entity" under the CRS. It follows that the trustee cannot be a financial institution under the CRS. The trustee also does not outsource any management to any financial institution. Therefore, the trust is not a managed investment entity.

Example 4:
A trust holds shares in various property funds. The property funds, in turn, hold interests in real property located in Australia.

The trust organises for a financial institution provider of discretionary investment management services (DIMS provider) to have authority to manage these shares. The trustee provides that financial institution DIMS provider with discretionary authority to buy and sell shares in such property funds subject to an agreed mandate.

The trust earns all of its income from investing in such shares over the specified period (ie receiving dividends from those investments).

Is the trust a "managed" investment entity?

Yes. The trust's income is primarily attributable to the shares (financial assets). The trust is also managed by the financial institution DIMS provider. Therefore, the trust is a managed investment entity financial institution. It is assumed for the purposes of this example that none of the exceptions in the definition of "investment entity" are applicable. These exceptions are referred to at s 3.1.3 of this guidance.

11.1.3 When will a trust be a New Zealand financial institution?

This guidance has will now set out the circumstances when a financial institution trust will be a "New Zealand" financial institution trust.

A financial institution trust will generally be resident in New Zealand for CRS purposes, and, therefore, a NZFI, if it has one or more trustees that are tax-resident in New Zealand.[219] However, the exception to this is if the trust is tax resident in another participating jurisdiction and reports all the information required to be reported under the CRS with respect to reportable accounts maintained by the trust to that jurisdiction because it is a tax resident in that jurisdiction.

Example 1
A financial institution trust has a single trustee who is tax-resident in New Zealand.

Is the financial institution trust a "New Zealand" financial institution?

Yes. The general rule is that a financial institution trust will be resident in New Zealand for CRS purposes if it has a trustee that is tax resident in New Zealand. The general rule applies to these facts.

Example 2
The facts are the same as example 1. However, the financial institution trust contracts an overseas fund manager to manage some of its assets.

Is the financial institution trust a "New Zealand" financial institution?

Yes. The fact that the trust has an overseas fund manager is irrelevant to whether or not it is a "New Zealand" financial institution. Instead, as noted above, it is the trustee's jurisdiction of tax residence, which is the crucial point.

[219] This CRS "trust residency rule" does not apply to unit trusts. Unit trusts are treated as companies for New Zealand tax purposes. Therefore, New Zealand's tax residence rules that apply to companies will determine when a financial institution unit trust is "resident" in New Zealand for CRS purposes. This is broadly in line with the approach that applies for FATCA purposes see appendix 1. Therefore, the following guidance should be read as referring to those trusts that are not unit trusts.

Example 3
The facts are the same as example 1 except for the following. The financial institution trust also has a trustee in jurisdiction B (a participating jurisdiction). The trustee reports all of the CRS information for the trust in jurisdiction B because the trust is tax-resident in that jurisdiction.

Is the financial institution trust a "New Zealand" financial institution?

No. The exception applies here. The trust's connection to New Zealand is negated by the reporting overseas (in jurisdiction B).

This then raises the question of when a NZFI trust will be a "Reporting NZFI".

11.1.4 When will a trust be a Reporting NZFI?

A NZFI trust will a Reporting NZFI by default, **unless** it is a Non-Reporting NZFI. The types of Non-Reporting NZFI that could potentially apply to trusts are a trustee documented trust, a broad participation retirement fund (if constituted as a trust), a narrow participation retirement fund (if constituted as a trust), a pension fund of a Government entity, international organisation, or Central bank (if constituted as a trust), and an exempt collective investment vehicle (if constituted as a trust).

These types of Non-Reporting NZFI are outlined in full in appendix 6 of this guidance. However, it is useful at this point to provide some detail about the application of the trustee documented trust type. This is likely to be the most relevant type of Non-Reporting NZFI for trusts. The trustee documented trust category provides that a NZFI trust will be a Non-Reporting NZFI **to the extent that** the trustee of the trust is a Reporting Financial Institution and reports all of the information required to be reported with respect to all reportable accounts of the trust. Please note that it is necessary for these purposes to register each trust individually for CRS reporting purposes, with accounts to be reported under the relevant trust. New Zealand has adopted a 31 March tax year for such CRS due diligence and reporting purposes.

However, if the trustee of a trustee-documented trust does not comply with these obligations the financial institution trust will, therefore, not be able to benefit from this exclusion and will be a Reporting NZFI. In other words, where a trustee fails to fulfil any of these obligations, the trust will be responsible for completing due diligence or reporting as a Reporting NZFI. Therefore, essentially, the trust will be reliant on the trustee complying with its obligations on behalf of the trust in order for the trust itself to have complied with the CRS.

11.1.5 What are the due diligence and reporting obligations of Reporting NZFI trusts?

This guidance has outlined the circumstances when a trust will be a Reporting NZFI. It now sets out the due diligence and reporting obligations that such Reporting NZFI trusts will have.

A Reporting NZFI trust will need to carry out due diligence on its financial accounts to identify accounts held and/or, in the case of passive NFEs, controlled by relevant foreign tax residents, and report prescribed identity and financial account information to Inland Revenue about reportable accounts and undocumented accounts.

The Reporting NZFI trust's financial accounts will include (assuming that the trust is an investment entity – the category of financial institution that is most likely to apply to trusts) debt interests and equity interests.

A trust's debt interest account holders would, in turn, cover anyone that has provided debt funding to the trust (including through a current account held by a beneficiary or through a third-party advance).

A trust's equity interest account holders would cover:

- the trust's settlors (irrespective of whether the trust is revocable),
- the trust's beneficiaries (subject to a special rule for discretionary beneficiaries – outlined further below), and
- any other natural person that exercises ultimate effective control over the trust (which would, at a minimum, cover the trustee).

In broad terms, if any of these persons are "entities" the account holders would be the natural persons that are "controlling persons" of the entity.

A mere discretionary beneficiary will only have an equity interest if they receive a distribution in a period (i.e. this will be the point when the beneficiary's equity interest account will be opened). Similarly, a person coming within a class of beneficiaries would only have an equity interest if they receive a distribution or intend to exercise vested rights. If a discretionary beneficiary of a financial institution trust receives a distribution from the trust in a given year, but not in a following year, the absence of a distribution does not constitute an account closure, as long as the beneficiary is not permanently excluded from receiving future distributions from the trust.[220]

Example 1
A Reporting NZFI investment entity trust has a settlor (Simon), trustee (Ruth), and discretionary beneficiary (Tom). It is assumed for the purposes of this example that Tom has no connection with the trust **other than** in his capacity as a discretionary beneficiary of the trust.
Tom has not received a distribution from the trust.

Who are the trust's equity interest account holders?

• Simon – the settlor; and
• Ruth – the trustee (a natural person that has ultimate effective control of the trust).

Tom is a discretionary beneficiary who has not received a distribution. Therefore, he is not an equity interest account holder.

Example 2
The facts are the same as example 1. However, the trustee is a corporate trustee that is controlled by Ruth.

Who are the trust's equity interest account holders?

The answer is the same as for example 1. Ruth still holds an equity interest account. This is because, as noted above, it is necessary to trace through entities connected with a financial institution trust to identify the relevant equity interest account holders of a trust.

As noted above, a Reporting NZFI trust will need to carry out due diligence on its financial accounts (i.e. these debt and equity interests) to determine whether those accounts are held, and/or, in the case of passive NFE account holders, controlled by relevant foreign tax residents.

The due diligence processes that a Reporting NZFI trust will need to adopt are set out in detail in s 5 of this guidance and would depend on whether the account is a pre-existing account open as of 30 June 2017 or a new account opened on or after 1 July 2017.

At a high level, for pre-existing accounts the Reporting NZFI trust will generally need to adopt a residential address test or a search for foreign indicia for accounts that were open as of 30 June 2017 (for example, if a settlor had an equity interest as of 30 June 2017). For new accounts the Reporting NZFI trust will generally

[220] See p 36 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

need to obtain a self-certification for accounts opened on or after 1 July 2017 (for example, if a new mandatory beneficiary was added to the trust on 10 July 2017). The reader should carefully review the detailed outline of these due diligence processes in s 5 of this guidance.

If a Reporting NZFI trust carries out such due diligence on these accounts and identifies that they are held and/or, for accounts held by passive NFEs, controlled by relevant foreign tax residents it will need to collect the foreign tax resident's name, address, jurisdiction(s) of residence, TIN(s) or functional equivalent[221], and date of birth subject to various exceptions and qualifications outlined in s 5 of this guidance.

The Reporting NZFI trust will then need to report prescribed identity and financial information about the account to Inland Revenue if either the Reporting NZFI has identified that the person is a reportable person (i.e. from a reportable jurisdiction that New Zealand will be providing CRS information to), or the person is a relevant foreign tax resident and the Reporting NZFI has chosen to adopt the wider approach to reporting.

The prescribed identity information that the Reporting NZFI trust would need to report to Inland Revenue about such accounts would include the relevant person's name, address, jurisdiction(s) of tax residence, role(s),[222] and TIN(s) or functional equivalent, and date of birth (subject to various exceptions and qualifications for TIN and date of birth collection outlined in s 5 of this guidance and the transitional arrangements for reporting of roles outlined in s 6 of this guidance), whether a valid self-certification has been obtained for the reportable person, whether the account is a pre-existing account or a new account, the type of account, and whether the account is a joint account (and number of joint account holders).

The prescribed financial information that the Reporting NZFI trust would need to report would include the account balance or value and amounts paid or credited to or with respect to the account.

The Reporting NZFI trust will also need to report undocumented accounts. The meaning of "undocumented account" is outlined in ss 1.6, 5.3.2, and 5.3.3 of this guidance.

The reader should refer to s 6 of this guidance for further details about the information they need to report for such accounts.

11.1.6 Accounts held by non-financial entity trusts

This guidance will now shift focus to outline how the CRS will affect NFE trusts that hold accounts with Reporting NZFIs.

The CRS is clear that a trust will be the relevant account holder rather than the trustees of the trust. The Reporting NZFI will have obligations to carry out due diligence on the NFE trust account to determine if it is held and/or, if the trust is a passive NFE, controlled by relevant foreign tax residents. The NFE trust and persons connected with the trust will sometimes have obligations to provide self-certifications and other information to assist the Reporting NZFI in carrying out its due diligence. The trust and such persons may be subject to penalties if they do not provide this information.

This guidance now provides a high-level outline of the due diligence obligations that a Reporting NZFI will have to review for a NFE trust account. It also outlines what obligations the NFE trust, and sometimes persons connected with the trust, will have to provide in self-certifications and other information to the Reporting NZFI to assist it with its due diligence.

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[221] If a Reporting NZFI maintains an account held by a passive NFE with a controlling person that is a relevant foreign tax resident it would also need to collect the passive NFE's name, address, jurisdictions(s) of tax residence, and TIN or functional equivalent.
[222] For example, if the person is a settlor, trustee, protector, beneficiary, or other natural person that controls the trust.

The steps that the Reporting NZFI would need to carry out when conducting such due diligence are:

Step One	The Reporting NZFI needs to determine whether the NFE trust account holder is a relevant foreign tax resident.
Step Two	The Reporting NZFI needs to determine whether the NFE trust is a passive NFE.
Step Three	If the NFE trust is a passive NFE, the Reporting NZFI needs to identify the trust's controlling persons and determine whether any of those persons are relevant foreign tax residents.

It is important to note that a Reporting NZFI will need to carry out the last two steps irrespective of whether the NFE trust account holder is a relevant foreign tax resident.

Step One - Determining whether the NFE trust account holder is a relevant foreign tax resident

The Reporting NZFI will first need to determine whether the NFE trust is a relevant foreign tax resident. The process that the Reporting NZFI will need to follow will depend on whether the NFE account is a pre-existing account that was open as of 30 June 2017 or whether it is a new account opened on or after 1 July 2017. These processes are outlined in detail in s 5 of this guidance. However, at a high level this would involve the following:

Pre-existing accounts	The Reporting NZFI must review information maintained for regulatory or customer relationship purposes (including information collected pursuant to AML/KYC Procedures) to determine whether the information indicates that the account holder (i.e. the trust) is a relevant foreign tax resident. If the information indicates that the account holder is a reportable person, the Reporting NZFI must treat the account as a reportable account unless it obtains a self-certification from the account holder, or reasonably determines based on information in its possession or that is publicly available, that the account holder is not a reportable person.
New accounts	The Reporting NZFI is required to obtain a valid self-certification of whether the NFE trust is a relevant foreign tax resident, This includes confirming the reasonableness of such self-certification based on the information obtained in connection with the opening of the account, including any documentation collected pursuant to AML/KYC Procedures. If the self-certification indicates that the Account Holder is resident in a reportable jurisdiction, the Reporting NZFI must treat the account as a reportable account unless it reasonably determines based on information in its possession or that is publicly available, that the account holder is not a reportable person.

If the Reporting NZFI determines that the NFE trust is a relevant foreign tax resident they will then ask for the trust's name, address, jurisdiction(s) of tax residence and TIN(s)(or functional equivalent), subject to various exceptions and qualifications for TIN collection that are outlined in s 5 of this guidance.

The NFE trust generally needs to provide this information within a reasonable period of time and is potentially subject to a penalty if they fail to do so as set out at s 9 of this guidance. However, as noted above, there are some circumstances when an account holder is not required to provide a TIN (i.e. when they do not have either a TIN or functional equivalent or where their jurisdiction of tax residence does not require the collection of TINs).

Step Two: Determining whether the NFE trust is a passive NFE

The Reporting NZFI will then need to determine whether the NFE trust is a passive NFE. The following matters are relevant when determining whether a NFE is a "passive NFE".[223]

In broad terms, a passive NFE will generally cover an entity that is not a financial institution, and either derives predominantly (50% or more) passive income and/or has assets that predominantly produce or are held for the production of passive income. However, there are some exceptions to this as set out below. If a registered charity is a NFE (as opposed to a financial institution) it would generally be an active NFE even if it derives predominantly passive income. Furthermore, a managed investment entity that is tax resident in a jurisdiction that is not a participating jurisdiction is deemed to be a passive NFE.

"Passive income", for the purposes of the definitions of active NFE and passive NFE, is defined for CRS purposes in s 3(1) of the TAA as:[224]

> passive income, in the application of the FATCA agreement or the CRS applied standard to a person or entity for a period, means an amount that is not income from a transaction entered into in the ordinary course of the business of a dealer in financial assets, including relevant crypto-assets and that is—
>
> a. a dividend;
>
> b. interest;
>
> c. income equivalent to interest;
>
> d. rent or a royalty, other than rent or a royalty derived in the active conduct of a business conducted, partly or wholly, by employees of the person or entity;
>
> db. income derived from relevant crypto-assets;
>
> e. an annuity;
>
> f. for financial assets, including relevant crypto-assets that give rise to amounts included under sections (a) to (e), the amount by which gains from the sales or exchanges of the financial assets in the period exceed losses from the sales or exchanges;
>
> g. the amount by which gains from the transactions in financial assets, including relevant crypto-assets in the period exceed losses from the transactions;
>
> h. the amount by which gains from the foreign currency transactions in the period exceed losses from the transactions;
>
> i. the amount by which gains from the swaps in the period exceed losses from the swaps;
>
> j. an amount received under a cash value insurance contract.

For these purposes, the definition of "income" in s BD 1(1) of the ITA will apply to the extent that a type of passive income is not defined in the CRS. For example, passive income for CRS purposes includes a dividend. The expression "dividend" is not defined for CRS purposes, so the "dividend" definition in s CD 3 of the ITA would apply.

For some NFE trust account holders the active/passive assessment may be straightforward and can be made on the basis of available information in the Reporting NZFIs possession or that is publicly available. However, the Reporting NZFI will generally need to obtain a self-certification from the account holder (i.e. as to whether it is a passive NFE as opposed to an active NFE or financial institution). The Reporting NZFI, when requesting such a self-certification, is expected to provide the account holder (i.e. the trust) with the information that is relevant to them determining their status (for example, the definitions of "active NFE", “passive NFE”, and “financial institution”). Therefore, the Reporting NZFI may request self-certifications or other information to determine whether the trust is a passive NFE. The trust needs to provide this

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[223] The definitions of NFE, active NFE, and passive NFE are outlined in full in appendix 4.
[224] The references in this definition to “relevant crypto-asset” apply from 1 April 2026.

information within a reasonable period of time and is potentially subject to a penalty if it fails to do so as set out at s 9 of this guidance.

If the Reporting NZFI determines that the trust is a passive NFE, it will then need to identify the trust's controlling persons and determine whether any of those persons are relevant foreign tax residents. This guidance will now set out what the Reporting NZFI needs to do to identify the trust's controlling persons, and what the Reporting NZFI needs to do to determine whether any of the trust's controlling persons are relevant foreign tax residents.

Step Three: Identifying the trust's controlling persons and determining whether any of those persons are relevant foreign tax residents

Section VIII(D)(6) of the CRS defines "controlling persons" of an entity as meaning the natural persons who exercise control over the entity, with some elaboration outlined below on how this would apply to trusts.

In the case of a Passive NFE trust, the term "controlling persons" mean the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or classes of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust. In the case of legal arrangements other than a trust, the term means persons in equivalent or similar positions. The term "controlling persons" must be interpreted in a manner consistent with the Financial Action Task Force Recommendations.

The scope of the definition of "controlling persons" of a passive NFE trust and the processes that Reporting NZFIs can adopt to identify such controlling persons are outlined in detail above at ss 5.53 for pre-existing accounts (that were open as of 30 June 2017) and 5.63 for new accounts (opened on or after 1 July 2017).

Once the Reporting NZFI has identified a passive NFE trust's controlling persons, it will then need to determine whether any of those persons are relevant foreign tax residents. The process that a Reporting NZFI will need to follow will depend on whether the trust account is a pre-existing account that was open as of 30 June 2017 or a new account opened on or after 1 July 2017. The detail of these processes is outlined in ss 5.5 and 5.6 of this guidance. However, at a high level this will generally involve the following:

Pre-existing accounts	The Reporting NZFI is generally able to rely on the AML/KYC information that it has obtained to determine whether any of the controlling persons are relevant foreign tax residents. However, the Reporting NZFI will need to obtain a self-certification of the residency of the controlling persons from either the trust or the controlling persons **if** the account has a balance or value of more than USD1,000,000.
New accounts	The Reporting NZFI is required to obtain a self-certification from either the trust or the controlling persons about whether any of the controlling persons are relevant foreign tax residents.

If a trust or any of its controlling persons is asked to provide a self-certification or other information it will be required to provide this information within a reasonable period of time after the request is made. If the trust or the controlling persons does not respond to such requests they may be subject to a penalty as set out at s 9 of this guidance.

If a Reporting NZFI identifies that a controlling person is a relevant foreign tax resident they will then ask for the controlling person's name, address, date of birth, jurisdiction(s) of tax residence and TIN(s)(or functional equivalent), subject to various exceptions and qualifications for TIN collection that are outlined in s 5 of this guidance.

Reporting

The identity and financial information that a Reporting NZFI would need to report about a trust account - that it has identified as being held and/or, for a passive NFE trust, controlled by a relevant foreign tax resident that is a reportable person (or the NZFI has otherwise chosen to adopt the wider approach to reporting and the person is a relevant foreign tax resident) - is summarised at s 6 of this guidance.[225]

11.2 Application of CRS to specific types of trusts

This guidance now outlines how the above principles apply to family trusts, charitable trusts, foreign trusts, and Solicitors' trust accounts.

It is assumed, for the purposes of the following, that the relevant trust is not a unit trust. As noted above, the tax residency rules that apply under New Zealand tax law to companies should be applied when determining whether a financial institution unit trust is resident in New Zealand for CRS purposes. This is because a unit trust is treated as a company for New Zealand tax purposes. This broadly aligns with the approach for FATCA purposes.

11.2.1 Family trusts

A "family trust" is simply a trust that has a beneficiary class centred around a family group. There are no other defining features in respect of the assets they hold or activities they carry out that separates family trusts from other discretionary trusts. They operate in a spectrum from "simple trusts" that hold one asset (i.e. a family home) through to trusts that hold numerous complex assets and/or engage in complex financial dealings. As such, there is no "one size fits all" approach to the treatment of family trusts for CRS purposes.

11.2.1.1 Family trusts that are financial institutions

A family trust will either be a financial institution or a NFE. A family trust will generally not carry on a business for customers. This means that generally the only category of financial institution which could apply to family trusts is the managed investment entity category. The key elements of this category are that the trust derives its income primarily (50% or more) from investing, reinvesting or trading in financial assets or relevant crypto-assets over the specified period, and the trust is managed by a financial institution (other than a managed investment entity).

If a family trust is a financial institution (i.e. a managed investment entity) and has only New Zealand trustees it will, therefore, be a New Zealand financial institution. As noted in s 11.1.3 of this guidance, there is a rule that could potentially negate the trust's residency connection to New Zealand if the trust also had trustees in another participating jurisdiction and reported for CRS purposes in that other jurisdiction because it is tax-resident in that jurisdiction.

A New Zealand financial institution family trust will be a Reporting NZFI with CRS due diligence and reporting obligations, **unless** it is a Non-Reporting NZFI. The category of Non-Reporting NZFI that is most likely to apply to such family trusts is the trustee documented trust category. Under this category the FI trustee reports for the NZFI trust, as outlined in detail in s 3.5 of this guidance. Please note that it is necessary to register each trust individually for reporting purposes, with accounts to be reported under the relevant trust.

The due diligence and reporting obligations for a Reporting NZFI family trust are outlined in s 11.1.5 of this guidance.

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[225] The Reporting NZFI would also need to report any undocumented accounts.

Example 1
A family trust has the following assets:
• shares;
• bonds;
• a rental property; and
• units in various Reporting NZFI unit trusts (that are managed investment schemes).

The family trust derives 80% of its income from the shares, bonds and units over the specified period. The family trust derives the other 20% of its income from its rental property.

Is the family trust a financial institution?

No. The family trust is not in business. Therefore, the only way that it could be a financial institution is if it is a managed investment entity. The trust derives its income primarily (50% or more) from financial assets (the shares, bonds and units) over the specified period. However, the trust is not managed by a financial institution. It is important to note that the fact that the trust holds units in various Reporting NZFI unit trusts does not mean that those unit trusts manage the trust. Therefore, the trust is not a managed investment entity. This means that it is not a financial institution.

Example 2[226]
The facts are the same as example 1. However, the trustee of the trust is concerned that the trust is not getting a good return from its investments in shares and bonds. Therefore, the trustee decides to engage a Reporting NZFI discretionary investment service provider (DIMS provider) to manage the trust's investments in shares and bonds. The trustee provides the Reporting NZFI with discretionary authority to buy and sell shares and bonds within the parameters of an agreed mandate.

Is the family trust a financial institution?

Yes. The family trust derived its income primarily from financial assets (the shares, bonds and units) over the specified period. The trust's assets are also managed (in part) by the Reporting NZFI (the DIMS provider). Therefore, the trust is a managed investment entity financial institution.

11.2.1.2 Family trusts that are NFE account holders

If a family trust is not a financial institution it will be a NFE by default. If a NFE family trust holds an account with a Reporting NZFI it will be subject to due diligence by that NZFI. This means that the trust (along with other persons connected to the trust) may be asked to provide a self-certification and other information about whether they are a relevant foreign tax resident (or whether any of the controlling persons are relevant foreign tax residents) to assist the Reporting NZFI with its own due diligence. The trust and the other persons connected to the trust may be subject to penalties if they fail to provide the information within a reasonable period of time. This is outlined in detail in s 9.1.1 of this guidance.

[226] It is assumed for the purposes of this example that none of the exceptions in the definition of "investment entity" are applicable. These exceptions are referred to at s 3.1.3 of this guidance.

11.2.2 Charitable trusts

11.2.2.1 Charitable trusts that are financial institutions

A charitable trust will either be a financial institution or a NFE for CRS purposes. This is a different approach than that which applies for FATCA purposes. In broad terms, charitable entities are treated as active NFFEs for FATCA purposes irrespective of[227] whether they would otherwise come within the definition of financial institution.

A charitable trust is unlikely to be carrying on a business for customers. Therefore, as is the case with respect to family trusts, the circumstances when a charitable trust will be a financial institution are likely to be limited to when the charitable trust is a managed investment entity. For example, where the trust derives its income primarily (50% or more) from investing, reinvesting, or trading in financial assets or relevant crypto-assets over the specified period, and the trust is managed by a financial institution (other than a managed investment entity). A charitable trust will be a managed investment entity in the same circumstances outlined above for family trusts (i.e. the examples would apply equally to charitable trusts).

If a charitable trust is a financial institution (i.e. a managed investment entity) and has only New Zealand trustees it will, therefore, be a New Zealand financial institution. As noted in s 11.1.3 of this guidance, there is a rule that could potentially negate the trust's residency connection to New Zealand if the trust also had trustees in another participating jurisdiction and reported for CRS purposes in that other jurisdiction because it is tax resident in that jurisdiction.

A New Zealand financial institution charitable trust will be a Reporting NZFI with CRS due diligence and reporting obligations, **unless** it is a Non-Reporting NZFI. The category of Non-Reporting NZFI that is most likely to apply to such charitable trusts is the trustee documented trust category and is outlined in detail in s 3.5.

The due diligence and reporting obligations that a Reporting NZFI charitable trust will have are outlined in s 11.1.5 of this guidance.

11.2.2.2 Charitable trusts that are NFE account holders

A charitable trust that is not a financial institution will by default be a NFE. A NFE charitable trust may hold an account with a Reporting NZFI and be subject to due diligence by that NZFI.

An NFE charitable trust will generally be an active NFE coming within s VIII(D)(9)(h) of the CRS. However, the reader should refer to the definition of "active NFE" in appendix 4 when seeking to determine if a charitable trust is an active NFE. If a New Zealand charitable trust is an active NFE it will not be reportable for CRS purposes (and there is no need to "look through" to controlling persons – compared with passive NFEs).

A charitable trust that holds an account with a Reporting NZFI may be asked for a self-certification as to whether it is an active NFE. The trust should, in these circumstances, consider whether they meet the definition of "active NFE" and provide a self-certification within a reasonable period of time of receiving the request.

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[227] This is because of the definition of "NFFE" in Annex I s VI(B)(2) of the FATCA IGA, which extends to cover certain charitable entities described in the definition of "active NFFE" in Annex I s VI(B)(4) of the IGA irrespective of whether those entities would otherwise come within the definition of financial institution.

11.2.3 Foreign trusts

Broadly, a foreign trust is any trust where no settlor is or has been resident in New Zealand at any time. Foreign trusts may have a New Zealand-resident trustee, often a limited liability company, which provides professional trustee services. It is normal for all the beneficiaries of a foreign trust to be resident offshore but there is no prohibition against having New Zealand beneficiaries.

The CRS applies to foreign trusts in the same way as any other trust. This means that a foreign trust will either be a financial institution or a NFE.

A foreign trust is unlikely to be carrying on a business for customers (just like family trusts and charitable trusts). Therefore, the circumstances when a foreign trust will be a financial institution are likely to be limited to when it is a managed investment entity.

That is:

- the trust derives its income primarily (50% or more) from investing, reinvesting, or trading in financial assets or relevant crypto-assets over the specified period, and
- the trust is managed by a financial institution (other than a managed investment entity).

If a foreign trust is a financial institution (for example, a managed investment entity) and has only New Zealand tax-resident trustees it will, therefore, be a New Zealand financial institution. As noted above, most foreign trusts have a trustee that is tax resident in New Zealand, often a limited liability company, which provides professional trustee services. However, if such a financial institution foreign trust also has another trustee in another participating jurisdiction, is tax resident in that other jurisdiction, and reports for CRS purposes in that jurisdiction because it is tax resident in that jurisdiction, the reporting overseas would negate the New Zealand CRS residency connection that would otherwise apply (i.e. the trust would not be a NZFI).

A NZFI foreign trust will be a Reporting NZFI with CRS due diligence and reporting obligations, **unless** it is a Non-Reporting NZFI. The category of Non-Reporting NZFI that is most likely to apply to these financial institution foreign trusts is the trustee documented trust category and is outlined in detail in s 3.5 of this guidance. The due diligence and reporting obligations that a Reporting NZFI foreign trust will have are outlined in s 11.1.5 of this guidance.

Example 1
A New Zealand foreign trust is settled by a settlor from jurisdiction A. The trust has a single New Zealand tax-resident trustee. The trust's beneficiaries are all located in jurisdiction A. The trust's only assets are direct interests in various investment properties, which it rents. The trust's income is derived solely from rental income over the specified period.

Is the foreign trust a financial institution?

No. The trust does not carry on a business for customers. The trust also does not derive its income primarily (50% or more) from investing in financial assets. All of its income is derived from investing in direct interests in real property, which is not a financial asset. Therefore, it is not a managed investment entity.

Example 2[228]
The foreign trust in example 1 decides to rebalance its investments. It sells a number of its investment properties. It then uses the proceeds to invest in a portfolio of debt and equity instruments. The trust engages a Reporting NZFI fund manager to manage the portfolio. The trustee gives the fund manager discretionary authority to buy and sell debt and equity instruments within the parameters of an agreed mandate. The trust derives 60% of its income from the portfolio over the specified period.

Is the foreign trust a financial institution?

Yes. The trust derived its income primarily from financial assets (the portfolio of debt and equity instruments) over the specified period and is managed by a financial institution (the Reporting NZFI fund manager). Therefore, it is a managed investment entity.
Is the foreign trust a "New Zealand" financial institution? Yes. The foreign trust is a financial institution (a managed investment entity). The foreign trust's sole trustee is also tax-resident in New Zealand. Therefore, the foreign trust is a NZFI. This means that the foreign trust will be a Reporting NZFI with CRS due diligence and reporting obligations in New Zealand, unless it comes within any of the categories of Non-Reporting NZIFs.

Example 3
The facts are the same as in example 2. However, the foreign trust adds a further trustee in jurisdiction B (a Participating Jurisdiction). The trust is tax-resident in jurisdiction B. The trustee reports all of the CRS information for the trust in jurisdiction B because the trust is tax-resident in jurisdiction B.

Is the financial institution trust still a "New Zealand" financial institution?

No. The exception applies here. The trust's New Zealand connection is negated by the reporting overseas.

11.2.3.1 Foreign trusts that are NFE account holders

If a foreign trust is not a financial institution it will be a NFE by default. If a NFE foreign trust holds an account with a Reporting NZFI it will be subject to due diligence by that NZFI. This means that the trust (along with other persons connected to the trust if the trust is a passive NFE) may be asked:

- to provide a self-certification as to whether they (or any of the trust's controlling persons if the trust is a passive NFE) are relevant foreign tax residents, and/or
- to provide other documentation/information to assist the Reporting NZFI in carrying out its due diligence and any reporting.

The trust may be subject to penalties if it fails to provide the information within a reasonable period of time. This is outlined in detail in s 9.1.1 of this guidance.

11.2.4 Solicitors' trust accounts

The following guidance outlines how CRS due diligence and reporting applies to trust accounts that a Reporting NZFI bank maintains for a law firm. The same analysis can be applied to other professionals to the extent that the factual framework is materially the same. The same analysis can also be applied for FATCA purposes.

[228] It is assumed for the purposes of this example that none of the exceptions in the definition of "investment entity" are applicable. These exceptions are referred to at s 3.1.3 of this guidance.

11.2.4.1 Background

A law firm which holds moneys on behalf of clients must open a trust bank account, into which client funds are deposited. The trust bank account must be designated "trust account" and the bank and other interested parties must be notified that the money in the trust account is trust money. A law firm can open more than one trust account.

A law firm is under a duty to ensure whenever practicable that client moneys earn interest. It is pursuant to this duty that a law firm may advise a client that moneys held in a law firm's general trust account be placed into an Interest-Bearing Deposit Account (IBDA).

According to the Lawyers Trust Accounting Guidelines the following points apply to IBDAs.

Each client must have its own separate IBDA (the bank records must show that there are separate client accounts, grouped so that it is clear that all of the IBDAs are within the control and responsibility of a law firm);

- Section 9.4 of the guidelines describes how a bank will administer the IBDA. Key points are:
- the bank maintains separate accounts, interest and tax calculations for each client,
- the bank credits each IBDA with interest as it accrues,
- on 31 March each year, the bank will issue resident withholding tax certificates,
- when the bank sends a RWT certificate, the law firm must send the certificate to the relevant clients for action by them in respect of their tax returns.

11.2.4.2 Money in the general trust account

A Reporting NZFI bank that maintains a law firm's general pooled trust account may take the following approach when carrying out due diligence on the account where funds are not "designated" in the name of the clients (compared with IBDAs where there is a separate designated client account with the bank for the purpose of allocating interest):

- The approach is that where:
    - the funds of underlying clients of the law firm are held on a pooled basis with a bank,
    - the only person identified in relation to the bank account is the law firm, and
    - the law firm is not required to disclose or pass its underlying client or clients' information to the bank for the purposes of AML/KYC or other regulatory requirements
    - the bank is required to undertake due diligence procedures only in respect of the law firm.

For CRS purposes this means that a Reporting NZFI will need to determine the residency of the law firm and the status of the law firm, i.e. generally whether the law firm is a passive or active NFE (with active NFE classification most commonly applying).

11.2.4.3 Money held on IBDA

If a Reporting NZFI bank maintains IBDAs in the names of a law firm's clients it will have, therefore, identified the clients, and should treat each client IBDA as if it was a depository account directly made by the client. Each designated IBDA will be subject to the standard due CRS diligence procedures outlined above.

For example, a Reporting NZFI that maintains a "new" IBDA account opened on or after 1 July 2017 will need to obtain a self-certification for the law firm's client.[229] This is the client's self-certification.

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[229] This is assuming that the law firm's client is an individual. If the client is an entity that is a passive NFE, it will also be necessary to obtain self-certifications about the NFE's controlling persons.

However, a Reporting NZFI is able to request the law firm to obtain and provide such client self-certifications (as opposed to seeking such self-certifications directly from those clients) if they consider that this is more efficient operationally.

The Reporting NZFI could also choose to obtain self-certifications in this way for all client IBDA accounts (irrespective of whether they are pre-existing or new) if they consider that this would be more efficient operationally.

11.2.4.4 Excluded accounts

Some funds held in a law firm's trust accounts (either in the general trust account or on IBDA) contain escrow funds that are excluded accounts for CRS purposes. For example, certain escrow funds relating to the sale and purchase of property are excluded accounts (see Appendices 1 and 5). If a Reporting NZFI reasonably determines that funds in such a trust account are excluded escrow funds it will not be required to carry out due diligence on those funds – i.e. the account will be an excluded account.

11.3 Application of CRS to partnerships

This guidance now summarises how the CRS applies to partnerships. A partnership is defined in s VIII(E)(3) of the CRS as being an "entity". This is the case irrespective of whether it is structured as a legal person or a legal arrangement. This is broadly similar to FATCA where a partnership is also defined as being an "entity".

All partnerships, including general partnerships, limited partnerships and limited liability partnerships or any similar legal arrangement will be entities for CRS purposes. This would include a partnership as defined in the Partnership Act 2019 and a limited partnership as defined in the Limited Partnership Act 2008. The fact that a partnership is an "entity" for CRS purposes means that a partnership will either be a financial institution or NFE.

This guidance now outlines the circumstances when a partnership will be a Reporting NZFI with CRS due diligence and reporting obligations in New Zealand.[230] This will address when a partnership will be a "financial institution", when a partnership will be a "New Zealand" financial institution, and when will a partnership be a "Reporting" NZFI with due diligence and reporting obligations.

11.3.1 When will a partnership be a financial institution?

As noted above, a partnership can be a financial institution. The category of financial institution that is most likely to apply to partnerships is the investment entity category:

In Business Investment Entity	If the partnership derives its income primarily (50% or more over the specified period) from carrying out specified investment activities for customers
Managed Investment Entity	If the partnership derives its income primarily (50% or more over the specified period) from investing, reinvesting or trading in financial assets or relevant crypto-assets and is managed by a relevant financial institution.

[230] This guidance will not focus on the circumstances when a partnership will be an NFE account holder. The same analysis outlined above at s 11.1.6 of this guidance for NFE account holder trusts would apply to partnerships in this context.

Example 1
Partnership A invests in a portfolio of foreign equities. It engages a Reporting NZFI discretionary investment services provider (DIMS provider) to manage these investments. The partnership has given the Reporting NZFI DIMS provider discretionary authority to buy and sell such equities within the parameters of an agreed mandate. The partnership derived all of its income from these equities over the specified period.

Is the partnership an investment entity?

Yes. The partnership derived its income primarily (50% or more) from financial assets (foreign equities) over the specified period. The partnership is also managed by a financial institution (the Reporting NZFI DIMS provider). Therefore, the partnership is a managed investment entity.

A partnership could also, depending on the circumstances, come within one of the other categories of financial institution. The reader should refer to s 3.1 of the guidance for detail on the potential application of those other categories.

11.3.2 When will a partnership be a New Zealand financial institution?

This then raises the question of when a financial institution partnership (for example, an investment entity partnership) will be a NZFI. A financial institution partnership will be a NZFI if it is resident in New Zealand (excluding offshore branches), or it has a branch located in New Zealand (in which case it would be a NZFI to the extent of the branch).

The general rule is that a partnership will be considered to be resident for CRS purposes based on where it is tax-resident. However, partnerships do not always have a tax residence. Some jurisdictions treat partnerships as taxable units, sometimes even as companies. However, other jurisdictions such as New Zealand adopt a fiscally transparent approach where the partnership is disregarded for tax purposes.

A partnership that does not have a residence for tax purposes will be considered to be resident for CRS purposes in a Participating Jurisdiction such as New Zealand if:

- it is incorporated under the laws of the participating jurisdiction,
- it has its place of management (including effective management) in the participating jurisdiction), or
- it is subject to financial supervision in the participating jurisdiction.

The CRS commentary states that the "place of effective management" is the place where key management and commercial decisions that are necessary for the conduct of the entity's business as a whole are in substance made. All relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time.[232]

It is important to note that the above criteria for determining the CRS residency of partnerships that do not have a residence for tax purposes have the potential to link a financial institution partnership to multiple jurisdictions. Where such a financial institution is resident in two or more participating jurisdictions under these criteria, it will be subject to the reporting and due diligence obligations of the jurisdiction in which it maintains the financial account. This is to avoid duplication of obligations.

[232] See p 110 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example 2
Partnership A is a financial institution that operates in New Zealand. Partnership A is not tax resident in any jurisdiction, is unincorporated, and is not subject to financial supervision in any jurisdiction. However, Partnership A is effectively managed in New Zealand.
Partnership A is treated as a "resident" of New Zealand for CRS purposes. This is because it is effectively managed in New Zealand. It will be a NZFI.

11.3.3 When will a partnership be a Reporting NZFI?

A NZFI partnership will be a Reporting NZFI unless it comes within any of the categories of Non-Reporting NZFI. It is unlikely that any of these categories will apply to partnerships. Therefore, this guidance will proceed on the basis that the NZFI partnership being considered is a Reporting NZFI.

A Reporting NZFI partnership will need to carry out due diligence on its financial accounts to identify accounts held (and/or, in the case of passive NFE account holders, controlled) by relevant foreign tax residents and, if so, collect prescribed identity information about such persons. It is assumed for these purposes that the Reporting NZFI partnership is an investment entity (the most likely category of financial institution to apply to partnerships).

The Reporting NZFI partnership's financial accounts are as follows:

Equity interests	Persons that have a capital or profit interest in the partnership
Debt interests	Persons that have provided debt funding to the partnership.

The Reporting NZFI partnership needs to carry out due diligence on such accounts and report prescribed identity and financial account information about reportable accounts they identify.[233]

11.3.4 What are the due diligence and reporting obligations of a partnership?

The due diligence and reporting obligations of such a partnership are in line with those referred to in s 11.1.5 of this guidance with respect to trusts.

11.4 Application of CRS to collective investment vehicles

The following guidance now provides a high-level outline of how the CRS applies to collective investment vehicles (CIVs). This will cover what constitutes a CIV, the circumstances when a CIV will be a Reporting NZFI, and an outline of what due diligence and reporting a Reporting NZFI CIV will need to carry out.

11.4.1 What is a collective investment vehicle?

A CIV is an entity that pools funds on behalf of investors for investment purposes. This would include the following non-exhaustive types of entities - unit trusts, managed funds, group investment funds, superannuation schemes, and entities providing participating securities. A "managed investment scheme" subject to s 9 of the Financial Markets Conduct Act 2013 (which would cover, for example, entities such as unit trusts and superannuation schemes) would also be a CIV.

A CIV will be a Reporting NZFI if all of the following are satisfied – the CIV is a "financial institution", the CIV is a "New Zealand" financial institution, and the CIV is a "Reporting" NZFI (i.e. not a Non-Reporting NZFI).

[233] The Reporting NZFI would also need to report undocumented accounts.

This guidance will now explain these key building blocks to outline the circumstances where CIVs will be Reporting NZFIs with CRS due diligence and reporting obligations.

11.4.2 When will a collective investment vehicle be a financial institution?

A CIV will generally be an investment entity for CRS purposes. It is also possible, albeit less likely, that a CIV could come within another category of financial institution (for example, being a custodial institution).

A CIV will be an investment entity for CRS purposes in either of the following circumstances:[234]

In Business Investment Entity	The CIV primarily conducts a financial services business (i.e. the collective pooling of funds and investing, administering, or managing of funds or money or relevant crypto-assets on behalf of customers). The CIV will be treated as primarily conducting a financial services business where its financial services income is 50% or more of its total gross income over the specified period.
Managed Investment Entity	The CIV is managed[235] by another financial institution (e.g. a trustee or investment manager which is a financial institution) and derives its income primarily (50% or more over the specified period) from investing, reinvesting, or trading in financial assets or relevant crypto-assets (as distinct from, for example, from direct interests in real property).

Example 1
Wide Trust is a New Zealand unit trust that carries on, as its business, collective portfolio management activities for customers. Wide Trust derived 80% of its income from such activities over the specified period.

Is the Wide Trust an "in business" investment entity?

Yes. Wide Trust performed specified investment activities (collective portfolio management) for customers over the specified period.

Wide Trust also derived its income "primarily" (50% or more) from such activities over that period. Therefore, Wide Trust is an "in business" investment entity. This means that Wide Trust is a financial institution.

11.4.3 When will a collective investment vehicle be a NZFI?

A CIV that is a financial institution will be a "NZFI" if either it is resident in New Zealand (excluding branches located offshore), or it has a New Zealand branch (in which case it would be a NZFI to the extent of the branch).

The residency rules that apply for CRS purposes will depend on the type of entity that constitutes the CIV. These rules are summarised in s 3.2 of this guidance. However, a number of CIVs will be unit trusts. Unit trusts are treated as companies for the purposes of New Zealand's tax residency rules. The New Zealand tax residency rules that apply to companies should be used to determine whether a financial institution CIV unit trust is "resident" in New Zealand for CRS purposes. This is broadly in line with the approach that applies for FATCA purposes (see appendix 1).

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[234] The one exception to this is if the entity is an active NFE because it meets the criteria in subparagraph(s) D(9)(d) through (g) of s VIII of the CRS. The definition of "active NFE" is set out in full in appendix 4. It is assumed that this exception does not apply for the purposes of the examples set out below. The reader should refer to subparagraph(s) D(9)(d) through (g) of s VIII of the CRS to determine whether this exception may apply to their circumstances.
[235] The relevant "manager" in this context must be a financial institution that is not itself a "managed" investment entity.

11.4.4 When will a NZFI collective investment vehicle be a "Reporting" NZFI?

A NZFI CIV will be a Reporting NZFI unless it is a Non-Reporting NZFI.

A CIV will be a Non-Reporting NZFI under subsection B(1) of s VIII of the CRS if it is a broad participation retirement fund, a narrow participation retirement fund, a pension fund of a government entity, international organisation or central bank, an exempt collective investment vehicle, a trustee documented trust (where the trust is a CIV), or a CIV that is determined by the Commissioner to be a Non-Reporting NZFI.

These categories are outlined in detail in appendices 6 and 7 of this guidance.

11.4.5 What are the due diligence and reporting obligations of a Reporting NZFI collective investment vehicle?

A Reporting NZFI CIV will need to carry out due diligence on its financial accounts to identify accounts held and/or, in the case of passive NFE account holders, controlled by relevant foreign tax residents and, if so, collect prescribed identity information about such persons.

The Reporting NZFI CIV's financial accounts are as follows:[236]

Equity Interests	The funds from customers that have invested in the CIV.
Debt Interests	Amounts loaned to the CIV or that are otherwise debt interests in the CIV.

The Reporting NZFI CIV would need to carry out due diligence on such accounts and report prescribed identity and financial account information about reportable accounts it identifies.[237]

The due diligence and reporting obligations of such a CIV are in line with those referred to in s 11.1.5 of this guidance with respect to trusts.

[236] It is assumed for these purposes that the Reporting NZFI CIV is an investment entity (the most likely category of financial institution to apply to CIVs.)
[237] The Reporting NZFI would also need to report undocumented accounts.

Example 2

Fund B is a Reporting NZFI CIV investment entity unit trust. Fund B has a Reporting NZFI trustee and a Reporting NZFI fund manager (both are investment entities that are Reporting NZFIs in their own right). Fund B also has a Reporting NZFI custodian (Custodian Limited) that holds various instruments on its behalf.

Investors receive units in Fund B in return for their investments and Fund B uses the pooled funds to invest in overseas shares and bonds. Custodian Limited holds these interests on behalf of Fund B. The interests that the investors have in Fund B are in scope financial accounts (i.e. not excluded accounts).

Fund B will need to carry out due diligence on the following accounts:

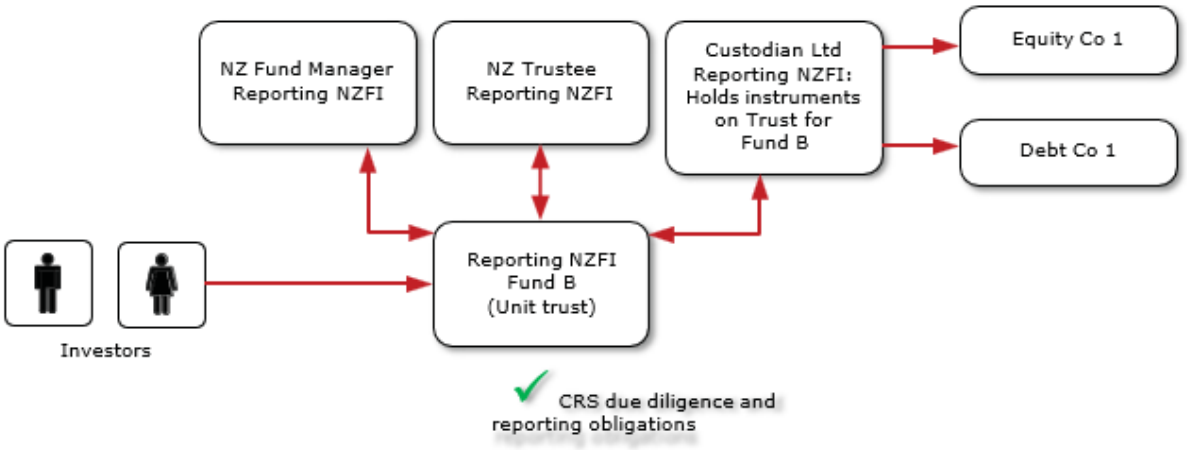
• **Equity interest account holders**: The persons that have placed amounts in the fund, including, if such persons are passive NFEs, any controlling persons.

• **Debt interest account holders**: The persons that have loaned amounts to the fund or that otherwise have debt interests in the fund, including, if such persons are passive NFEs, any controlling persons.

Fund B would need to carry out due diligence on such accounts (i.e. to identify accounts held and/or, in the case of passive NFEs, controlled by relevant foreign tax residents), collect prescribed identity information about any relevant foreign tax residents they identify, and report prescribed identity and financial account information about any reportable accounts.[238]

Fund B's due diligence and reporting obligations are in line with those referred to in s 11.1.5 of this guidance with respect to trusts.

It is important to note that the NZ fund manager, NZ trustee, and Custodian Ltd would not be required to report on Fund B. This is because Fund B is a financial institution from a participating jurisdiction (New Zealand), so is excluded from being reportable (i.e. financial institutions are excluded from the definition of reportable Person). This is an anti-duplicative measure.



[238] The Reporting NZFI would also need to report undocumented accounts.

11.5 Deceased estates

For the purposes of the following, the reference to "estate" should be read as covering New Zealand's particular rules on the transfer or inheritance of rights and obligations in the event of death (for example the rules of universal succession).[239]

This guidance will now consider the issues of:

- whether a deceased estate will be a financial institution, and
- whether deceased estates will be subject to CRS due diligence.

11.5.1 Will a deceased estate be a financial institution?

Deceased estates are a type of trust, but will generally not be financial institutions.

So long as the administration of the estate is directed at the winding up and distributing of assets and not an indefinite activity of investing, reinvesting or trading in financial assets or relevant crypto-assets, it will not be a financial institution.

However, a testamentary trust set up as a result of the winding up of an estate could depending on the circumstances be a financial institution, just like the other types of trusts outlined above.

11.5.2 Whether accounts held by deceased estates are subject to due diligence

An account held by a deceased estate will also be an "excluded account" where the Reporting NZFI that maintains the account is in possession of a formal notification of the account holder's death. The formal notification would include a copy of the deceased's will, or the deceased's death certificate. The estate must be the sole account holder. The exemption does not apply if there are two or more account holders even where the estate is one of the account holders.

Example 1
Exempt account: An account holder has died leaving an open New Zealand bank account with a Reporting NZFI.
The account is frozen. The executors complete and provide a death certificate and a copy of the deceased's will to the bank. The estate is the sole account holder. The executor winds up the estate through paying debts and distributing property. The account is an excluded account.

Example 2
Non-exempt account: Same facts as Example 1, except the account holder at death holds the New Zealand bank account jointly with another person. The exclusion does not apply. This is because the exclusion does not apply where there are two account holders (even where the estate is one of the account holders). The account will be an in scope financial account. The Reporting NZFI would need to carry out due diligence on the account.

[239] See p110 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Appendices

Appendix 1: A Comparison between the CRS and FATCA

The OECD's CRS implementation handbook contains a detailed comparison of CRS and FATCA. The following is intended to supplement the comparison in the implementation handbook by focusing on some of the most important similarities and differences between the CRS and FATCA.

A1.1 FATCA Inter-Governmental Agreement

FATCA is US law enacted in 2010 to target tax evasion by US taxpayers using foreign accounts. FATCA requires foreign financial institutions (FFIs) to report to the Internal Revenue Service (IRS) information about financial accounts held by US taxpayers, or by foreign passive entities in which US taxpayers hold any ownership and/or control interests.

FFIs must, pursuant to FATCA Intergovernmental Agreements (FATCA IGAs), and unless exempted, register with the IRS, and comply with the FATCA IGA that is in effect in their tax jurisdiction (including carrying out due diligence on their financial accounts and reporting prescribed information about reportable accounts to the local revenue authority – Inland Revenue, in the case of New Zealand – for exchange with the US).

The NZ/US FATCA IGA is defined as the "FATCA agreement" in s 3 (Interpretation) of the Tax Administration Act 1994, as:

> [T]he Agreement between the Government of New Zealand and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA, commonly known as the intergovernmental agreement, which was brought into force for New Zealand by the Double Tax Agreements (United States of America–FATCA) Order 2014 (LI 2014/209), as amended from time to time.

A1.2 Common Reporting Standard (CRS)

As outlined above, the CRS is an information standard to facilitate the collection, reporting, and automatic exchange of "financial account" information (AEOI) between implementing jurisdictions. The CRS was developed in the context of the OECD and the Group of Twenty countries (G20). The aim of the CRS for AEOI is to detect and deter offshore tax evasion. The CRS is broadly similar to FATCA, but is multilateral in nature. Reporting financial institutions have due diligence and reporting obligations under the CRS. In broad terms, this involves such institutions reviewing their accounts to identify relevant foreign tax residents, collecting information from such persons (and about such accounts), and reporting this information to the local revenue authority for exchange.

The legal basis for exchange of data is generally the Convention on Mutual Administrative Assistance in Tax Matters and much of the structure of the CRS is based on the FATCA IGA model.

A1.3 Residence

Due diligence and reporting nexus of financial institutions

In broad terms, the CRS and the FATCA IGA use the residence of a financial institution (i.e. New Zealand resident – excluding a foreign branch) as the due diligence and reporting nexus between that financial institution and a particular jurisdiction as set out in:

- the definition of "Participating Jurisdiction Financial Institution" in s VIII(A)(2) of the CRS, and
- the definition of "New Zealand Financial Institution" and "Reporting US Financial Institution" in Article 1(1)(l) and (p) respectively of the FATCA IGA.

New Zealand branches of foreign financial institutions are also included in this due diligence and reporting nexus.

This guidance will now set out the relevant "residence" rules that apply to financial institutions for CRS purposes (i.e. that will determine when a financial institution will be "resident" in New Zealand for CRS purposes). It will then set out the relevant "residence" rules that apply to financial institutions for FATCA purposes including highlighting the relationship between the CRS residence rules and the FATCA residence rules that apply in this context.

The CRS commentary contains detailed guidance on the definition of "residence" for a financial institution for determining whether a financial institution is "resident" in a participating jurisdiction such as New Zealand, and therefore has a due diligence and reporting nexus to that jurisdiction (excluding foreign branches).

A financial institution is generally treated as resident for CRS purposes, based on where it is resident for Income Tax purposes. This general rule would extend to apply to unit trusts, which are treated as "companies" under New Zealand tax law – i.e. those unit trusts that are resident in New Zealand for tax purposes under the tax residence rules that apply to companies will also be resident in New Zealand for CRS purposes.

However, special CRS rules apply for financial institution trusts (other than unit trusts), and financial institutions (other than trusts) that do not have a residence for tax purposes (i.e. a partnership is an example of a type of entity that often does not have a residence for tax purposes).

A financial institution trust (other than a unit trust) is generally treated as resident for CRS purposes based on where its trustees are resident for tax purposes. However, if the trust has multiple trustees in different participating jurisdictions (for example, the trust could have one trustee that is tax resident in New Zealand and another trustee that is tax resident in another participating jurisdiction), and the trust fully reports all of the CRS information about the trust in one participating jurisdiction because it is tax resident in that jurisdiction, it is deemed to be CRS resident in that jurisdiction only (negating the trust's CRS residency in the other relevant jurisdiction). For example, a financial institution trust may have one trustee that is tax resident in New Zealand, another trustee that is tax resident in jurisdiction B (another participating jurisdiction), and choose to fully report all of the CRS information about the trust in jurisdiction B because the trust is tax resident in jurisdiction B. The financial institution trust would, therefore, not be a CRS resident in New Zealand for the purposes of this test. Instead, it would be a CRS resident in jurisdiction B.

A financial institution other than a trust that does not have a residence for tax purposes (e.g. because it is treated as fiscally transparent) is treated as resident for CRS purposes based on the following criteria:

- place of incorporation under the laws of the participating jurisdiction,
- place of management (including effective management) in the participating jurisdiction, or
- where it is subject to financial supervision in a participating jurisdiction.

Where this test results in a financial institution other than a trust being resident in two or more participating jurisdictions, the financial institution is subject to the CRS due diligence and reporting obligations in each of the participating jurisdictions in which it maintains financial account(s). This is to avoid duplicate reporting.

The FATCA IGA does not have an explicit definition of "residence" for a financial institution i.e. for determining when a financial institution is resident in New Zealand and is therefore a "New Zealand" financial institution excluding foreign branches.

The FATCA IGA provides that for terms not defined in the FATCA IGA, the Competent Authorities can agree a common meaning. In the absence of any agreed common meaning, any term has the meaning it has at that time under the applicable tax law of the party applying the FATCA IGA (i.e. New Zealand tax law, when considering whether an entity is a NZFI for FATCA purposes).

The residency of a financial institution for FATCA purposes is determined as follows. Any relevant New Zealand tax law definitions of residency applicable to the entity. This is broadly in line with the general rule that applies to determine the residency of a financial institution for CRS purposes referred to above.

For financial institution trusts other than unit trusts, the following definition (that was agreed between the Competent Authorities of New Zealand and the US on 21 August 2015) applies from 1 April 2017. An entity that is a trust other than a unit trust can be treated as resident in New Zealand if one or more trustees is resident in New Zealand for New Zealand Income Tax purposes, or the trust is managed by a branch of a trustee located in New Zealand (provided that the branch of the trustee is subject to regulatory supervision in New Zealand). However, this residency is negated if there is reporting in another participating jurisdiction. This residency rule is broadly in line with the CRS trust residency rule referred to above.

Certain entities for FATCA (e.g. partnerships or joint ventures), are not treated as legal entities for New Zealand tax law. In this context, Inland Revenue considers that (unless the entity is treated as a trust for New Zealand tax purposes, and so subject to the above-mentioned trust residency tests), the special residency rules in the CRS commentary referred to above that are used for CRS purposes to determine the residency of such entities can also be used for FATCA purposes. This is supported by the fact that the CRS framework is based largely on the FATCA IGA.

Dual or multiple residency of account holders and controlling persons

For CRS purposes, in the case of dual or multiple residency of an account holder or controlling person determined on the basis of the due diligence procedures, CRS information is collected for all foreign jurisdictions in which the account holder or controlling person is found to be resident for tax purposes.

This rule is not contemplated under the bilateral FATCA IGA between New Zealand and the US The FATCA IGA focuses on identifying and collecting for reporting and exchange information about US citizens and tax residents.

Passive NFEs and their controlling persons

If a Reporting NZFI maintains an account held by a passive NFE they will for CRS purposes need to identify the passive NFE's controlling persons and determine whether these persons are relevant foreign tax residents.

The same broad rule applies for FATCA for passive NFFEs, albeit that FATCA is about identifying "U.S." controlling persons. However, there are two key differences.

First, the Reporting NZFI will be required to identify such controlling persons for CRS purposes, irrespective of where the passive NFE is tax resident. However, they will only be required to identify these controlling persons for FATCA purposes if the passive NFFE is a "non-US entity"; and

Second, the passive NFE may be a relevant foreign tax resident that is reportable for CRS purposes, irrespective of whether any of its controlling persons are relevant foreign tax residents. In contrast, a passive NFFE will not be reportable for FATCA purposes (as, by definition, it is not a US. Person), unless there are any US controlling persons (in which case the passive NFFE and the controlling persons would be reported).

In this respect the CRS adopts a different approach from the FATCA IGA, so two different approaches need to be maintained.

A1.4 Non-Reporting Financial Institutions

FATCA only – Exempt Beneficial Owners and Deemed Compliant FFIs

Annex II of the FATCA IGA describes the entities treated as Non-Reporting NZFIs. The types of Non-Reporting NZFIs are exempt beneficial owners (i.e. entities that are exempt from reporting and withholding under the FATCA rules), and deemed compliant foreign financial institutions (i.e. financial institutions that are deemed to be compliant with the FATCA requirements provided that certain matters are satisfied).

In addition, the definition of a "Non-Reporting New Zealand Financial Institution" in Article 1(1)(q) of the FATCA IGA includes deemed-compliant financial institutions or exempt beneficial owners described in the US FATCA Regulations.

The CRS does not contain these sub-categories. Instead, the CRS only requires entities to determine whether they are in the categories of Reporting NZFIs or Non-Reporting NZFIs. Therefore, the FATCA Non-Reporting financial institution subcategories of exempt beneficial owner and deemed compliant FFI are irrelevant for CRS purposes.

FATCA only – Non-Reporting NZFIs

Annex II to the FATCA IGA includes a number of categories of entities that are treated as Non-Reporting NZFIs, which are not included in the list of Non-Reporting financial institution for CRS purposes. These are treaty qualified retirement funds, local banks and financial institutions with a local client base, financial institutions with only low-value accounts, investment entity wholly owned by exempt beneficial owners, sponsored investment entity and controlled foreign corporation, sponsored closely held investment vehicles, and investment advisors and investment managers (see ss II through IV of Annex II of the FATCA IGA).

These categories are either not suitable for the CRS due to the differing context or approach of the CRS compared with the FATCA IGA (for example, treaty qualified retirement funds), or have been incorporated elsewhere in the CRS (for example, investment advisers and investment managers). The following guidance provides a brief summary of these points:

Treaty qualified retirement funds, local banks and financial institutions with a local client base	These FATCA categories of Non-Reporting NZFI do not translate into a multilateral setting. Therefore, the CRS does **not** exclude these categories.
Financial institutions with only low-value accounts	This FATCA category of Non-Reporting NZFI has a USD 50,000 threshold for certain types of accounts, which is **not** present in the CRS. Therefore, the CRS does not exclude this category.
Investment entity wholly owned by exempt beneficial owners	Investment entity wholly owned by exempt beneficial owners are treated as Non-Reporting NZFIs for FATCA purposes on the basis that none of their direct account holders are persons that trigger any reporting obligation. The exempt beneficial owner sub-category is **not** used in the CRS.
Sponsored investment entity and controlled foreign corporation and sponsored closely held investment vehicles	These FATCA exemptions are based on the condition that a sponsor performs the due diligence and reporting on behalf of the financial institution. These categories do **not** apply in CRS. However, the CRS does allow a financial institution to use a service provider to carry out their reporting and due diligence obligations. This means that a similar process can be applied for CRS purposes.
Investment advisors and investment managers	A number of financial institution investment advisors and investment managers may not maintain accounts (see the exclusion from the definition of "financial account" in CRS s VIII(C)(1)(a), which can apply to certain financial institution investment advisors and managers). If this is the case, such financial institutions will not have any CRS due diligence and reporting obligations.

FATCA and CRS – Non-Reporting Financial Institutions – Government Entities, International Organisations, Central Banks (including related pension funds)

Government entities, international organisations, and central banks that are financial institutions (including their pension funds) are treated as Non-Reporting NZFIs for both FATCA (see ss I(A), I(B) and II(D) of Annex II of the FATCA IGA) and CRS purposes (see CRS s VIII(B)(1)(a) & (b)) provided that certain defined requirements are met.

FATCA and CRS – Non-Reporting Financial Institutions – Broad & Narrow Participation Retirement Funds

Section II(B) of Annex II of the FATCA IGA provides that a broad participation retirement fund is a Non-Reporting NZFI.

Section II(C) of Annex II of the FATCA IGA provides that a narrow participation retirement fund is a Non-Reporting NZFI.

Similarly, Section VIII(B)(1)(b) of the CRS provides that broad participation retirement funds and narrow participation retirement funds are Non-Reporting financial institutions.

FATCA and CRS – Non-Reporting Financial Institutions – Qualified Credit Card Issuers

Section III(D) of the FATCA IGA provides that a qualified credit card issuer is a Non-Reporting NZFI.

Similarly, Section VIII(B)(1)(b) of the CRS provides that a qualified credit card issuer is a Non-Reporting financial institution.

FATCA and CRS – Non-Reporting Financial Institutions – Exempt Collective Investment Vehicles

Certain collective investment vehicles as set out in ss IV(E) and (F) of Annex II to the FATCA IGA are treated as Non-Reporting NZFIs because the account holders are, for example: not Specified US Persons; or are financial institutions which report on their account holders; or are low-risk exempt beneficial owners.

In the CRS these entities are referred to as exempt collective investment vehicles (see CRS s VIII(B)(9)). The conditions in the CRS to qualify as an exempt collective investment vehicle have been amended to take into account the multilateral context, and remove US specificities.

For CRS purposes, an exempt collective investment vehicle is an investment entity where all account holders are not reportable persons (except a passive NFE with controlling persons who are reportable persons).

The logic is the same for treating these types of entities as Non-Reporting financial institutions for both FATCA and CRS purposes.

FATCA and CRS – Non-Reporting Financial Institutions – "Trustee-Documented Trust"

Section IV(A) of Annex II of the FATCA IGA provides that a financial institution trust established under the laws of New Zealand is a Non-Reporting NZFI to the extent that the trustee of the trust is a Reporting US Financial Institution, Reporting Model 1 FFI, or Participating FFI and reports all information required to be reported pursuant to the IGA with respect to all US Reportable Accounts of the trust. Such trusts are referred to as being trustee documented trusts.

Section VIII(B)(1)(E) of the CRS provides that a financial institution trust is a Non-Reporting financial institution to the extent that the trustee of the trust is a reporting financial institution and reports all information required to be reported with respect to all reportable accounts of the trust. Such trusts are also referred to as being trustee documented trusts.

Therefore, under both AEOI regimes a NZFI trust is able to engage a financial institution trustee to report on its behalf. Such trusts are trustee documented trusts and are Non-Reporting NZFIs.

For both AEOI regimes, the status of the trust as being a Non-Reporting NZFI trustee documented trust is contingent on the financial institution trustee fully carrying out the requisite due diligence and reporting on behalf of the trust.

Important: Although the financial institution trustee will report any accounts to Inland Revenue on the NZFI trust's behalf, the trust itself will still be required to be registered with Inland Revenue for reporting with accounts to be reported under the relevant trust.

FATCA and CRS – charitable entities

A charitable entity will either be a financial institution or a NFE for CRS purposes. This is a different approach than that which applies for FATCA purposes. In broad terms, charitable entities are treated as active NFFEs for FATCA purposes irrespective of whether they would otherwise come within the definition of financial institution.

CRS – other low-risk Non-Reporting Financial Institutions

The CRS includes the additional general category of other low-risk Non-Reporting financial institutions to be determined under domestic law (see CRS s VIII(B)(1)(c)). This is outlined in detail in s 3.6 of this guidance.

A1.5 Excluded accounts

CRS and FATCA – Excluded Accounts

The CRS list of excluded accounts that are not subject to due diligence or reporting, includes the following:

Retirement and pension accounts	Retirement and pension accounts that satisfy prescribed criteria (there is a similar FATCA exclusion in Annex II(V)(B)(1) of the IGA).
Non-retirement tax-favoured accounts	Non-retirement tax-favoured accounts that satisfy prescribed criteria (there is a similar FATCA exclusion in Annex II(V)(B)(2) of the IGA).
Term life insurance contracts	Term life insurance contracts that satisfy prescribed criteria (there is a similar FATCA exclusion in Annex II(V)(C) of the IGA).
Estate accounts	Estate accounts that satisfy prescribed criteria (there is a similar FATCA exclusion in Annex II(V)(d) of the IGA).
Escrow accounts	Escrow accounts that satisfy prescribed criteria (there is a similar FATCA exclusion in Annex II(V)(e) of the IGA).
Depository accounts due to non-returned overpayments	Depository accounts due to non-returned overpayments that satisfy prescribed criteria. There is no corresponding exclusion in Annex II of the FATCA IGA. However, financial institutions that maintain such accounts may, depending on the circumstances, come within the definition of "qualified credit card issuer" in s III(D) of the FATCA IGA, and therefore be Non-Reporting NZFIs. Therefore, if this is the case a similar result will apply for FATCA purposes (i.e. the accounts would be excluded from due diligence).
Account related to a foundation or capital increase of a company	A foundation or capital increase of a company provided that the account satisfies the following requirements: i) the account is used exclusively to deposit capital that is to be used for the purpose of the foundation or capital increase of a company, as prescribed by law; ii) any amounts held in the account are blocked until the Reporting Financial Institution obtains an independent confirmation regarding the foundation or capital increase; iii) the account is closed or transformed into an account in the name of the company after the foundation or capital increase; iv) any repayments resulting from a failed foundation or capital increase, net of service provider and similar fees, are made solely to the persons who contributed the amounts; and v) the account has not been established more than 12 months ago. There is no corresponding exclusion in Annex II of the FATCA IGA.
Low value Specified Electronic Money Products account	A Depository Account that represents all Specified Electronic Money Products held for the benefit of a customer, if the rolling average 90 day end-of-day aggregate account balance or value during any period of 90 consecutive days did not exceed USD 10,000 at any day during the calendar year or other appropriate reporting period. There is no corresponding exclusion in Annex II of the FATCA IGA.

CRS - Other low-risk Excluded Accounts

The CRS includes an additional general category of low-risk excluded account to be determined under domestic law (CRS s VIII(C)(17)(g)). This is outlined in detail in s 4.6.2 of this guidance.

A1.6 Due diligence and reporting

This guidance has outlined above a number of areas where there are similarities and differences between CRS and FATCA due diligence and reporting.

For example, CRS and FATCA both involve broadly, with some exceptions, similar due diligence and reporting "building blocks" as set out below.

The types of accounts that are subject to due diligence - for example, depository accounts, custodial accounts, equity interests, debt interests, cash value insurance contracts, and annuity contracts are similar.

The division of such accounts between being either "pre-existing" and "new" accounts based on when the account was opened (with pre-existing account due diligence generally being "indicia" based and new account due diligence generally being based on obtaining "self-certifications") is similar. The division of accounts between "individual" and "entity" accounts based on who the account is held by and the type of information that needs to be reported (with some exceptions) is also broadly similar.

However, there are two key differences between these regimes. CRS generally does not have threshold exemptions from due diligence and reporting, whereas FATCA has a number of such threshold exemptions. Furthermore, the CRS is concerned with Reporting NZFIs carrying out due diligence to identify relevant foreign tax residents, whereas FATCA is focused more narrowly on carrying out such procedures to identify US citizens or tax residents.

The reader should refer to pp 126-144 of the OECD's CRS implementation handbook for a detailed outline of these similarities and differences. Any questions about these similarities and differences can also be sent to Inland Revenue's AEOI e-mail address at global.aeoi@ird.govt.nz.

Appendix 2: Options permitted by the Common Reporting Standard

The CRS and commentary contain a number of options that financial institutions can adopt when carrying out their CRS due diligence and reporting. This includes options that jurisdictions can take when deciding on the due diligence and reporting procedures that financial institutions are required to carry out.

The aim of such optionality is to provide financial institutions with some flexibility when carrying out such functions, so that they can make decisions that operationally may decrease their compliance costs. Jurisdictions can also take advantage of options that they consider will decrease compliance costs for financial institutions with those options then becoming mandatory for such institutions.

Some of these options will be mandatory (i.e. whether the option is required to be adopted or is not able to be adopted) for Reporting NZFIs.

Reporting NZFIs are required to adopt the wider approach to CRS due diligence. In broad terms, this involves Reporting NZFIs collecting all of the prescribed information about relevant foreign tax residents they have identified (i.e. account holders/controlling persons) and the account **irrespective of** whether those persons are from reportable jurisdictions. It is anticipated that the wider approach to due diligence will decrease compliance costs for Reporting NZFIs because they will not need to redo their due diligence procedures every time New Zealand enters into a new AEOI exchange relationship with a particular jurisdiction. Reporting NZFIs will also be required to use a 31 March reporting period. It is anticipated that this will decrease compliance costs for Reporting NZFIs by aligning with the FATCA and general tax periods.

Reporting NZFIs are not able to use the average balance or value method. Reporting NZFIs were also not able to adopt a transitional approach to the reporting of gross proceeds information - the reporting of gross proceeds information is explained further below in s 6. The CRS definition of qualified non-profit entity (a type of non-reporting financial institution) is also not able to be adopted.

However, Reporting NZFIs are able to choose to adopt the following options set out in the CRS and commentary when carrying out their CRS due diligence and reporting. Reporting NZFIs are not compelled to adopt any of these options. Therefore, Reporting NZFIs will be able to simply make such decisions taking into account what procedures are operationally more efficient for their business. Reporting NZFIs are not required to notify the Commissioner of any such decisions. However, they would be expected to retain a record of any such decisions made for audit purposes.

CRS due diligence options

Alternative CRS due diligence procedures

A Reporting NZFI will be able to apply the due diligence procedures for new accounts to pre-existing accounts. The Reporting NZFI can carry out such an election either with respect to all pre-existing accounts or separately, with respect to any clearly identified group of such accounts.

A Reporting NZFI will be able to use the residence address test (including the change in circumstances procedures) when carrying out due diligence on lower value pre-existing individual accounts. This is an alternative to the electronic records test.

A Reporting NZFI will be able to apply the due diligence procedures for high-value pre-existing individual accounts to lower-value pre-existing individual accounts. The Reporting NZFI can carry out such an election either with respect to all pre-existing accounts or separately, with respect to any clearly identified group of such accounts.

A Reporting NZFI will be able to choose to exclude from due diligence procedures pre-existing entity accounts that had a balance or value of USD250,000 or less as of 30 June 2017[240] or any subsequent 31 March.

A Reporting NZFI is able to choose to treat dollar threshold values in the CRS as being in New Zealand dollars. For example, instead of treating the high-value pre-existing individual threshold as being USD1,000,000, that threshold could be treated as being NZD1,000,000 instead.

A Reporting NZFI that is carrying out pre-existing entity due diligence is able to use as documentary evidence any classification in its records with respect to the account that was determined based on a standard industry coding system provided that various conditions set out in the CRS commentary are met.[241]

CRS due diligence grace period

A Reporting NZFI had the option of using the following grace periods when carrying out due diligence.

For high value pre-existing individual accounts, the Reporting NZFI was able to continue to carry out due diligence beyond 31 March 2018 up until 30 June 2018 provided that any account identified as reportable by 30 June 2018 was reported in the report for the period ended 31 March 2018 – i.e. reported by 30 June 2018.

For other pre-existing accounts, the Reporting NZFI was able to continue to carry out due diligence beyond 31 March 2019 up until 30 June 2019 provided that any account identified as reportable by 30 June 2019 was reported in the report for the period ended 31 March 2019 – i.e. reported by 30 June 2019.

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[240] This date is 31 March 2026 for those financial accounts that became in scope for CRS purposes solely because of the amendments to the CRS in effect from 1 April 2026.
[241] See p 119 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Reporting NZFIs were not compelled to adopt the grace period option and could simply choose not to do so. Reporting NZFI were also able to choose to merely utilise a portion of the grace period if it considered this was more efficient.

Service providers

A Reporting NZFI is able to use a service provider to fulfil due diligence obligations. The Reporting NZFI remains responsible for fulfilling these requirements and the actions of the service provider are imputed to the NZFI. This is in line with FATCA.

Trustee documented trust

A NZFI trust that has a financial institution trustee is able to use that trustee to carry out any due diligence on its behalf. The NZFI trust will (in such circumstances) be a Non-Reporting NZFI **provided that** the trustee reports all of the requisite information on the trust's behalf.

Discretionary beneficiaries as "controlling persons"

The general rule in the CRS is that a discretionary beneficiary will be a controlling person of a passive NFE trust account holder. For example, if Bob is a discretionary beneficiary of a passive NFE trust account holder he will, therefore, be a controlling person of that trust under this general rule. However, a Reporting NZFI is able to choose to treat a discretionary beneficiary as being a controlling person of a passive NFE trust only if they receive a distribution. If a Reporting NZFI chooses to adopt this option they will need to have reasonable safeguards and procedures in place to identify whether a distribution has been made to the beneficiary (Bob in this example). It is acknowledged that this option could actually increase compliance costs for some Reporting NZFIs and pose operational difficulties. Such Reporting NZFIs are not compelled to adopt the option and could simply choose not to do so.

CRS reporting options

Option to adopt the "wider approach" to reporting

A Reporting NZFI is able to choose to report all relevant foreign tax residents that they have identified, as opposed to merely reporting those foreign tax residents from Reportable Jurisdictions. Inland Revenue will then sort the relevant information and exchange the information with the relevant Reportable Jurisdictions.

Service Providers

A Reporting NZFI is able to use a service provider to fulfil reporting obligations. The Reporting NZFI remains responsible for fulfilling these requirements and the actions of the service provider are imputed to the NZFI. This is in line with FATCA.

Trustee documented trust

A NZFI trust that has a financial institution trustee is able to use that trustee to carry out any reporting on their behalf. The NZFI trust will (in such circumstances) be a Non-Reporting NZFI **provided that** the trustee reports all of the requisite information on the trust's behalf.

Important: Although the financial institution trustee will report any accounts to Inland Revenue on the NZFI trust's behalf, the trust itself will still be required to be registered with Inland Revenue for reporting with accounts to be reported under the relevant trust for CRS purposes.

Option to submit nil reports

A Reporting NZFI that has no accounts to report in a particular period will have the option of submitting a nil report for that period. However, Reporting NZFIs are not compelled to submit nil reports.

CARF Reporting Overlap

The gross proceeds from the sale or redemption of a financial asset are not required to be reported by the Reporting NZFI for CRS purposes to the extent such gross proceeds are reported by the Reporting NZFI under the Crypto-Asset Reporting Framework (s I(G) of the CRS). However, Reporting NZFIs are able to elect with respect to any clearly identified group of accounts to report such gross proceeds for CRS purposes.

Options in the OECD handbook and OECD answers to "frequently asked questions"

A Reporting NZFI is also able to adopt any options set out in other background documents and materials such as the OECD handbook and OECD answer to "frequently asked questions" on the AEOI portal to the extent that such options are consistent with the CRS.

Appendix 3: Documentary evidence under the CRS

Reporting NZFIs are sometimes able to rely in part on documentary evidence when carrying out CRS due diligence. For example, Reporting NZFIs are sometimes able to rely in part on documentary evidence when applying the "residence address test" when carrying out due diligence on pre-existing individual accounts, and "curing" indicia of foreign tax residency when carrying out due diligence on pre-existing individual accounts. "

"Documentary evidence" is defined in the CRS (see subsection E(6) of s VIII of the CRS) for these purposes as including any of the following:[242]

Certificate of residence issued by an authorised government body.	Documentary evidence includes a certificate of residence issued by an authorised government body (for example, a government or agency thereof, or a municipality) of the jurisdiction in which the payee claims to be a resident. Examples of such a certificate include a certificate of residence for tax purposes indicating that the account holder has filed its most recent Income Tax return; residence information published by an authorised government body of that jurisdiction such as a list published by a tax administration that includes the names and residences of taxpayers, and residence information in a publicly accessible register maintained or authorised by an authorised government body of a jurisdiction, such as a public register maintained by a tax administration.
Valid identification issued by an authorised government body that includes the individual's name and is typically used for identification purposes.	Documentary evidence also includes, with respect to an individual, any valid identification issued by an authorised government body (for example, a government or agency thereof, or a municipality), that includes the individual's name and is typically used for identification purposes.
Official documentation issued by an authorised government body that includes the name of the entity and either the address of its principal office in the jurisdiction in	Documentary evidence also includes, with respect to an entity, any official documentation issued by an authorised government body (for example, a government or agency thereof, or a municipality) that includes the name of the entity and either the address of its principal office in the jurisdiction in which it claims to be a resident or the jurisdiction in which the entity was incorporated or organised. The address of the principal office will generally be where its place of

[242] See pp 118-121 of the document titled "Consolidated text of the Common Reporting Standard (2025)" for a summary of the requirements that must be satisfied for such documentary evidence including the circumstances when documentation collected by other persons such as service providers can be relied on/used.

which it claims to be a resident or the jurisdiction in which the entity was incorporated or organised.	effective management is situated. The address of a financial institution with which the entity maintains an account, a post office box or an address used solely for mailing purposes is not an address of the entity's principal office unless it is the only address used by the Entity and appears as its registered address in its organisational documents. Further, an address that is provided subject to instructions to hold all mail to that address is not the address of the entity's principal office.
Audited statement, third-party credit report, bankruptcy filing or securities regulator's report.	Documentary evidence also includes any audited statement, third-party credit report, bankruptcy filing or securities regulator's report.

Appendix 4: Definitions of "Non-Financial Entity", "Active Non-Financial Entity", "Passive income", and "Passive Non-Financial Entity

An "NFE" is defined in s VIII(D)(7) of the CRS as meaning "any Entity that is not a Financial Institution".

"Active NFE" is defined in s VIII(D)(9) of the CRS as meaning:

> any NFE that meets any of the following criteria:
>
> > a. less than 50% of the NFE's gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50% of the assets held by the NFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income;
> >
> > b. the stock of the NFE is regularly traded on an established securities market or the NFE is a related entity of an Entity the stock of which is regularly traded on an established securities market;
> >
> > c. the NFE is a governmental entity, an international organisation, a central bank, or an entity wholly owned by one or more of the foregoing;
> >
> > d. substantially all of the activities of the NFE consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a Financial Institution, except that an Entity does not qualify for this status if the Entity functions (or holds itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;
> >
> > e. the NFE is not yet operating a business and has no prior operating history, but is investing capital into assets with the intent to operate a business other than that of a Financial Institution, provided that the NFE does not qualify for this exception after the date that is 24 months after the date of the initial organisation of the NFE;
> >
> > f. the NFE was not a Financial Institution in the past five years, and is in the process of liquidating its assets or is reorganising with the intent to continue or recommence operations in a business other than that of a Financial Institution;
> >
> > g. the NFE primarily engages in financing and hedging transactions with, or for, Related Entities that are not Financial Institutions, and does not provide financing or hedging services to any Entity that is not a Related Entity, provided that the group of any such Related Entities is primarily engaged in a business other than that of a Financial Institution; or
> >
> > h. the NFE meets all of the following requirements:
> >
> > > i. it is established and operated in its jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic or educational purposes; or it is established and operated in its jurisdiction of residence and it is a professional

organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;

ii. it is exempt from income tax in its jurisdiction of residence;

iii. it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

iv. the applicable laws of the NFE's jurisdiction of residence or the NFE's formation documents do not permit any income or assets of the NFE to be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than pursuant to the conduct of the NFE's charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the NFE has purchased; and

v. the applicable laws of the NFE's jurisdiction of residence or the NFE's formation documents require that, upon the NFE's liquidation or dissolution, all of its assets be distributed to a Governmental Entity or other non-profit organisation, or escheat to the government of the NFE's jurisdiction of residence or any political subdivision thereof.

"Passive income" is defined for CRS purposes in s 3(1) of the TAA as:[243]

passive income, in the application of the FATCA agreement or the CRS applied standard to a person or entity for a period, means an amount that is not income from a transaction entered into in the ordinary course of the business of a dealer in financial assets, including relevant crypto-assets and that is—

a. a dividend;

b. interest;

c. income equivalent to interest;

d. rent or a royalty, other than rent or a royalty derived in the active conduct of a business conducted, partly or wholly, by employees of the person or entity;

db. income derived from relevant crypto-assets;

e. an annuity;

f. for financial assets, including relevant crypto-assets that give rise to amounts included under sections (a) to (e), the amount by which gains from the sales or exchanges of the financial assets in the period exceed losses from the sales or exchanges;

g. the amount by which gains from the transactions in financial assets, including relevant crypto-assets in the period exceed losses from the transactions;

h. the amount by which gains from the foreign currency transactions in the period exceed losses from the transactions;

i. the amount by which gains from the swaps in the period exceed losses from the swaps;

j. an amount received under a cash value insurance contract.

"Passive NFE" is defined in s VIII(D)(8) of the CRS with reference to subparagraph A(6)(b) of the CRS. For the purposes of this guidance, the definition of "Passive NFE" means any:

i. NFE that is not an Active NFE; or

ii. A managed investment entity from a jurisdiction that is not a Participating Jurisdiction.

[243] The references in the definition of "passive NFE" to "relevant crypto-assets" apply from 1 April 2026.

Appendix 5: Definition of "Excluded Account"

Section VIII of the CRS provides relevant definitions. s VIII.C17 defines an "excluded account" as:

17. The term "excluded account" means any of the following accounts:

a. a retirement or pension account that satisfies the following requirements:

i. the account is subject to regulation as a personal retirement account or is part of a registered or regulated retirement or pension plan for the provision of retirement or pension benefits (including disability or death benefits);

ii. the account is tax-favoured (i.e. contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

iii. information reporting is required to the tax authorities with respect to the account;

iv. withdrawals are conditioned on reaching a specified retirement age, disability, or death, or penalties apply to withdrawals made before such specified events; and

v. either (i) annual contributions are limited to USD50,000 or less, or (ii) there is a maximum lifetime contribution limit to the account of USD1.000,000 or less, in each case applying the rules set forth in section C of Section VII for account aggregation and currency translation.

vi. A Financial Account that otherwise satisfies the requirement of subparagraph(s) C(17)(a)(v) will not fail to satisfy such requirement solely because such Financial Account may receive assets or funds transferred from one or more Financial Accounts that meet the requirements of subparagraph(s) C(17)(a) or (b), or from one or more retirement or pension funds that meet the requirements of any of subparagraph(s) B(5) through (7).

b. an account that satisfies the following requirements:

i. the account is subject to regulation as an investment vehicle for purposes other than for retirement and is regularly traded on an established securities market, or the account is subject to regulation as a savings vehicle for purposes other than for retirement;

ii. the account is tax-favoured (i.e. contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

iii. withdrawals are conditioned on meeting specific criteria related to the purpose of the investment or savings account (for example, the provision of educational or medical benefits), or penalties apply to withdrawals made before such criteria are met; and

iv. annual contributions are limited to USD50,000 or less, applying the rules set forth in subsection C of Section VII for account aggregation and currency translation.

A Financial Account that otherwise satisfies the requirement of subsection C(17)(b)(iv) will not fail to satisfy such requirement solely because such Financial Account may receive assets or funds transferred from one or more Financial Accounts that meet the requirements of subsection C(17)(a) or (b) or from one or more retirement or pension funds that meet the requirements of any of subsections B(5) through (7).

c. a life insurance contract with a coverage period that will end before the insured individual attains age 90, provided that the contract satisfies the following requirements:

i. periodic premiums, which do not decrease over time, are payable at least annually during the period the contract is in existence or until the insured attains age 90, whichever is shorter;

ii. the contract has no contract value that any person can access (by withdrawal, loan, or otherwise) without terminating the contract;

iii. the amount (other than a death benefit) payable upon cancellation or termination of the contract cannot exceed the aggregate premiums paid for the contract, less the sum of mortality, morbidity, and expense charges (whether or not actually imposed) for the period or periods of the contract's existence and any amounts paid prior to the cancellation or termination of the contract; and

iv. the contract is not held by a transferee for value.

d. an account that is held solely by an estate if the documentation for such account includes a copy of the deceased's will or death certificate.

e. an account established in connection with any of the following:

i. a court order or judgment.

ii. a sale, exchange, or lease of real or personal property, provided that the account satisfies the following requirements:

(i) the account is funded solely with a down payment, earnest money, deposit in an amount appropriate to secure an obligation directly related to the transaction, or a similar payment, or is funded with a Financial Asset that is deposited in the account in connection with the sale, exchange, or lease of the property;

(i) the account is established and used solely to secure the obligation of the purchaser to pay the purchase price for the property, the seller to pay any contingent liability, or the lessor or lessee to pay for any damages relating to the leased property as agreed under the lease;

(iii) the assets of the account, including the income earned thereon, will be paid or otherwise distributed for the benefit of the purchaser, seller, lessor, or lessee (including to satisfy such person's obligation) when the property is sold, exchanged, or surrendered, or the lease terminates;

(iv) the account is not a margin or similar account established in connection with a sale or exchange of a Financial Asset; and

(v) the account is not associated with an account described in subsection C(17)(f).

iii. an obligation of a Financial Institution servicing a loan secured by real property to set aside a portion of a payment solely to facilitate the payment of taxes or insurance related to the real property at a later time.

iv. an obligation of a Financial Institution solely to facilitate the payment of taxes at a later time.

v. a foundation or capital increase of a company provided that the account satisfies the following requirements:

i) the account is used exclusively to deposit capital that is to be used for the purpose of the foundation or capital increase of a company, as prescribed by law;

ii) any amounts held in the account are blocked until the Reporting Financial Institution obtains an independent confirmation regarding the foundation or capital increase;

iii) the account is closed or transformed into an account in the name of the company after the foundation or capital increase;

iv) any repayments resulting from a failed foundation or capital increase, net of service provider and similar fees, are made solely to the persons who contributed the amounts; and

v) the account has not been established more than 12 months ago.

ebis A Depository Account that represents all Specified Electronic Money Products held for the benefit of a customer, if the rolling average 90 day end-of-day aggregate account balance or value during any

period of 90 consecutive days did not exceed USD 10,000 at any day during the calendar year or other appropriate reporting period.

f. a Depository Account that satisfies the following requirements:

i. the account exists solely because a customer makes a payment in excess of a balance due with respect to a credit card or other revolving credit facility and the overpayment is not immediately returned to the customer; and

ii. beginning on or before 1 July 2017, the Financial Institution implements policies and procedures either to prevent a customer from making an overpayment in excess of USD50,000, or to ensure that any customer overpayment in excess of USD50,000 is refunded to the customer within 60 days, in each case applying the rules set forth in subsection C of Section VII for currency translation. For this purpose, a customer overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns.

g. any other account that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the accounts described in subsections C(17)(a) through (f), and is defined in domestic law as an Excluded Account, provided that the status of such account as an Excluded Account does not frustrate the purposes of the Common Reporting Standard.

Appendix 6: Definition of "Non-Reporting Financial Institution"

Section VIII of the CRS provides relevant definitions. Section VIII.B(1) defines a "Non-Reporting Financial Institution" as:

1. The term "Non-Reporting Financial Institution" means any financial institution that is:

a. a Governmental Entity, International Organisation or Central Bank, other than:

i) with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a Specified Insurance Company, Custodial Institution, or Depository Institution; or

ii) with respect to the activity of maintaining Central Bank Digital Currencies for Account Holders which are not Financial Institutions, Governmental Entities, International Organisations or Central Banks.

b. a Broad Participation Retirement Fund; a Narrow Participation Retirement Fund; a Pension Fund of a Governmental Entity, International Organisation or Central Bank; or a Qualified Credit Card Issuer;

c. any other Entity that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the Entities described in subsections B(1)(a) and (b), and is defined in domestic law as a Non-Reporting Financial Institution, provided that the status of such Entity as a Non-Reporting Financial Institution does not frustrate the purposes of the Common Reporting Standard;

d. an Exempt Collective Investment Vehicle; or

e. a trust to the extent that the trustee of the trust is a Reporting Financial Institution and reports all information required to be reported pursuant to Section I with respect to all Reportable Accounts of the trust.

Appendix 7: Requirements to be satisfied to be a "Non-Reporting Financial Entity" under the Common Reporting Standard

Section VIII(B)(2)-(9) of the CRS provides the following detail about some of these types of "Non-Reporting Financial Institutions":

> 2. The term "Governmental Entity" means the government of a jurisdiction, any political subdivision of a jurisdiction (which, for the avoidance of doubt, includes a state, province, county, or municipality), or any wholly owned agency or instrumentality of a jurisdiction or of any one or more of the foregoing (each, a "Governmental Entity"). This category is comprised of the integral parts, controlled entities, and political subdivisions of a jurisdiction.
>
> > a. An "integral part" of a jurisdiction means any person, organisation, agency, bureau, fund, instrumentality, or other body, however designated, that constitutes a governing authority of a jurisdiction. The net earnings of the governing authority must be credited to its own account or to other accounts of the jurisdiction, with no portion inuring to the benefit of any private person. An integral part does not include any individual who is a sovereign, official, or administrator acting in a private or personal capacity.
> >
> > b. A controlled entity means an Entity that is separate in form from the jurisdiction or that otherwise constitutes a separate juridical entity, provided that:
> >
> > > i. the Entity is wholly owned and controlled by one or more Governmental Entities directly or through one or more controlled entities;
> > >
> > > ii. the Entity's net earnings are credited to its own account or to the accounts of one or more Governmental Entities, with no portion of its income inuring to the benefit of any private person; and
> > >
> > > iii. the Entity's assets vest in one or more Governmental Entities upon dissolution.
> >
> > c. Income does not inure to the benefit of private persons if such persons are the intended beneficiaries of a governmental programme, and the programme activities are performed for the general public with respect to the common welfare or relate to the administration of some phase of government. Notwithstanding the foregoing, however, income is considered to inure to the benefit of private persons if the income is derived from the use of a governmental entity to conduct a commercial business, such as a commercial banking business, that provides financial services to private persons.
>
> 3. The term "International Organisation" means any international organisation or wholly owned agency or instrumentality thereof. This category includes any intergovernmental organisation (including a supranational organisation) (1) that is comprised primarily of governments; (2) that has in effect a headquarters or substantially similar agreement with the jurisdiction; and (3) the income of which does not inure to the benefit of private persons.
>
> 4. The term "Central Bank" means an institution that is by law or government sanction the principal authority, other than the government of the jurisdiction itself, issuing instruments intended to circulate as currency. Such an institution may include an instrumentality that is separate from the government of the jurisdiction, whether or not owned in whole or in part by the jurisdiction.
>
> 5. The term "Broad Participation Retirement Fund" means a fund established to provide retirement, disability, or death benefits, or any combination thereof, to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that the fund:
>
> > a. does not have a single beneficiary with a right to more than five per cent of the fund's assets;
> >
> > b. is subject to government regulation and provides information reporting to the tax authorities; and
> >
> > c. satisfies at least one of the following requirements:

i. the fund is generally exempt from tax on investment income, or taxation of such income is deferred or taxed at a reduced rate, due to its status as a retirement or pension plan;

ii. the fund receives at least 50% of its total contributions (other than transfers of assets from other plans described in subsections B(5) through (7) or from retirement and pension accounts described in subsection C(17)(a)) from the sponsoring employers;

iii. distributions or withdrawals from the fund are allowed only upon the occurrence of specified events related to retirement, disability, or death (except rollover distributions to other retirement funds described in subsections B(5) through (7) or retirement and pension accounts described in subsection C(17)(a)), or penalties apply to distributions or withdrawals made before such specified events; or

iv. contributions (other than certain permitted make-up contributions) by employees to the fund are limited by reference to earned income of the employee or may not exceed USD50,000 annually, applying the rules set forth in section C of Section VII for account aggregation and currency translation.

6. The term "Narrow Participation Retirement Fund" means a fund established to provide retirement, disability, or death benefits to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that:

a. the fund has fewer than 50 participants;

b. the fund is sponsored by one or more employers that are not Investment Entities or Passive NFEs;

c. the employee and employer contributions to the fund (other than transfers of assets from retirement and pension accounts described in subsection C(17)(a)) are limited by reference to earned income and compensation of the employee, respectively;

d. participants that are not residents of the jurisdiction in which the fund is established are not entitled to more than 20% of the fund's assets; and

e. the fund is subject to government regulation and provides information reporting to the tax authorities.

7. The term "Pension Fund of a Governmental Entity, International Organisation or Central Bank" means a fund established by a Governmental Entity, International Organisation or Central Bank to provide retirement, disability, or death benefits to beneficiaries or participants that are current or former employees (or persons designated by such employees), or that are not current or former employees, if the benefits provided to such beneficiaries or participants are in consideration of personal services performed for the Governmental Entity, International Organisation or Central Bank.

8. The term "Qualified Credit Card Issuer" means a Financial Institution satisfying the following requirements:

a. the Financial Institution is a Financial Institution solely because it is an issuer of credit cards that accepts deposits only when a customer makes a payment in excess of a balance due with respect to the card and the overpayment is not immediately returned to the customer; and

b. beginning on or before 1 July 2017, the Financial Institution implements policies and procedures either to prevent a customer from making an overpayment in excess of USD50,000, or to ensure that any customer overpayment in excess of USD50,000 is refunded to the customer within 60 days, in each case applying the rules set forth in section C of Section VII for account aggregation and currency translation. For this purpose, a customer overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns.

9. The term "Exempt Collective Investment Vehicle" means an Investment Entity that is regulated as a collective investment vehicle, provided that all of the interests in the collective investment vehicle are held by or through individuals or Entities that are not Reportable Persons, except a Passive NFE with Controlling Persons who are Reportable Persons.

An Investment Entity that is regulated as a collective investment vehicle does not fail to qualify under subsection B(9) as an Exempt Collective Investment Vehicle, solely because the collective investment vehicle has issued physical shares in bearer form, provided that:

a. the collective investment vehicle has not issued, and does not issue, any physical shares in bearer form after 30 June 2017;

b. the collective investment vehicle retires all such shares upon surrender;

c. the collective investment vehicle performs the due diligence procedures set forth in Sections II through VII and reports any information required to be reported with respect to any such shares when such shares are presented for redemption or other payment; and

d. the collective investment vehicle has in place policies and procedures to ensure that such shares are redeemed or immobilised as soon as possible, and in any event prior to 30 June 2018.

Appendix 8: Common Reporting Standard - process for obtaining valid self-certifications for all new accounts

Disclaimer: This 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.

Executive summary

In broad terms, the Common Reporting Standard (CRS) requires that Reporting New Zealand financial institutions (Reporting NZFIs) **always** obtain valid self-certifications for new accounts (i.e. those accounts opened on or after 1 July 2017) to determine whether the accounts are held and/or (in the case of passive non-financial entities) controlled by relevant foreign tax residents.[244] A Reporting NZFI is able to rely on such self-certifications, unless they know or have reason to know that they are incorrect or unreliable.

The CRS commentary makes the following points clear:[245]

[244] For those financial accounts that become in scope **solely** because of CRS amendments of 1 April 2026 (for example accounts related to specified electronic money products, central bank digital currencies, and relevant crypto-assets) this applies to accounts opened on or after 1 April 2026.
[245] See p 57 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Obtaining self-certifications	A Reporting NZFI must adopt a "day one" process for **obtaining** new account self-certifications unless this is not possible.
Validating self-certifications	A Reporting NZFI can use a "day two" process for **validating** the reasonableness of self-certifications for new accounts if a "back office" process is adopted for such validation. However, this does not change the fact that correct[246] and valid self-certifications must **always** be obtained for all new accounts.
Obtaining and validating self-certifications in time for reporting	A Reporting NZFI should also ensure that they have obtained and validated such self-certifications in time to be able to meet their CRS due diligence and reporting obligations (i.e. within a 90-day period, and no later than the deadline for reporting in which the account was opened i.e. 30 June of the relevant year).
Strong Measures	A Reporting NZFI should adopt "strong measures" if they adopt such a "day two" back office process for validating a self-certification. If a Reporting NZFI has not been able to obtain and validate the self-certification within the abovementioned timeframes (i.e. within a 90-day period, and no later than 30 June of the relevant year), it must not complete its account opening procedures, and/or must freeze or close the account. If an account is frozen, it would then be able to be reactivated if a valid self-certification is subsequently obtained. The OECD has confirmed that "freezing", in this context, means no deposits into the account and no withdrawals from the account. A Reporting NZFI should also only adopt such a "day two" "validation/reasonableness" process if they have the functionality to freeze or close those accounts where they are unable to confirm the reasonableness of such self-certifications, within 90 days and no later than the deadline for reporting. This is because Reporting NZFIs have obligations to take reasonable care when carrying out their CRS due diligence obligations. They also have specific obligations to always obtain valid self-certifications for new accounts.

As the general principle is that valid self-certifications must always be obtained for all new accounts, the OECD considers that “strong measures” do not include merely adopting an indicia search and reporting on the basis of whether or not there are any foreign indicia. Using an indicia search regarding new accounts that have not been validated in time would merely reduce new account due diligence to a similar standard as pre-existing account due diligence.

However, for the period commencing 1 April 2026 (i.e. the period ended 31 March 2027 – with reporting due by 30 June 2027), and subsequent periods, there has been an amendment to the CRS due diligence procedures for new accounts (individual and entity) where there is a **temporary** lack of self-certification for a new account. **In exceptional circumstances** where a self-certification cannot be obtained by a Reporting NZFI in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened, the Reporting NZFI must apply the due diligence procedures for preexisting accounts for the account, until such self-certification is obtained and validated. However, such accounts should still be reported as new accounts.[247]

One example of such exceptional circumstances (i.e. where there is a temporary lack of self-certification for a new account) could be if a Reporting NZFI has undertaken strong measures such as freezing an account (as set out above), but has still not been able to obtain a valid self-certification for that account. There may also be other exceptional circumstances where there is a temporary lack of self-certification for a new account. For example, there may be a natural disaster, pandemic, or systems outage, or other circumstance outside a Reporting NZFIs control, that means that, despite having reasonable due diligence steps and processes, a Reporting NZFI is not able to obtain and validate a self-certification in respect of a new

[246] This means that as a first step all of the required fields in the self-certification must be completed.

[247] See p 77 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened. This will depend on the particular circumstances. However, given that the "day two" back-office function process already affords a 90-day window for obtaining and validating self-certifications, and also taking into account the requirement that the circumstances be "exceptional", there would be a high bar before there will be such **exceptional** circumstances where there is a **temporary** lack of self-certification for a new account.

A Reporting NZFI and/or account holder may be subject to penalties if correct and valid self-certifications are not obtained or provided for new accounts on a timely basis. For example, penalties may be imposed if a Reporting NZFI fails to take reasonable steps to obtain a valid self-certification,[248] or if an account holder fails to provide such a self-certification or provides incorrect or incomplete information).[249] However, a Reporting NZFI that adopts the strong measures outlined above would not be subject to such a penalty assuming that they have otherwise taken reasonable steps in complying with their CRS obligations.

1. Background

1.1 For CRS purposes, Reporting NZFIs are required to obtain valid self-certifications from account holders upon account opening for all new accounts (i.e. accounts opened on or after 1 July 2017).[250] This requirement also covers controlling persons if the account holder is a passive non-financial entity (passive NFE).

1.2 There are two key elements here - **obtaining** a self-certification for such accounts, and **validating** (confirming the reasonableness of) the self-certification.

2. Requirement to always obtain a valid self-certification for a new account

2.1 The CRS commentary is clear that reporting NZFIs need to have strong measures and robust processes in place to ensure that valid self-certifications are **always** obtained for such new accounts.[251]

"Day one" account opening process

2.2 The CRS commentary states that Reporting NZFIs must generally obtain a complete self-certification on "day one" of the account opening process. The only exception to this "day one" rule is if it is not possible for the Reporting NZFI to obtain a self-certification on "day one" (as set out below), which will be very rare. In such exceptional circumstances, the Reporting NZFI needs to both obtain and validate the self-certification as part of a "day two" process within 90 days and no later than the deadline for CRS reporting.[252]

2.3 While as a general rule a self-certification must be obtained on the day of the account opening, there may be a limited number of circumstances, where due to the specificities of a business sector it is not possible to obtain a self-certification on 'day one' of the account opening process. For example, this may be the case where an insurance contract has been assigned from one person to another, where an account holder changes as a result of a court order, where a newly created company is in the process of obtaining a TIN or where an investor acquires shares in an investment trust on the secondary market. In addition, it is acknowledged that, even where a self-certification is obtained at account opening, validation of the self- certification may not always be completed on the day of the account opening (e.g. in circumstances where validation is a process undertaken

[248] See s 142H(3) of the TAA (for failure to obtain a self-certification) and s 142H(5) of the TAA (for failure to take reasonable care to meet CRS due diligence and reporting obligations).
[249] See s 142I(2) of the TAA.
[250] For those financial accounts that become in scope **solely** because of CRS amendments of 1 April 2026 this applies to accounts opened on or after 1 April 2026.
[251] See pp 57 and 125 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[252] See p 57 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

by a back-office function within the Reporting Financial Institution). In these circumstances, the self-certification must be both obtained and validated by the Reporting Financial Institution as quickly as feasible, and in any case within a period of 90 calendar days and in time to be able to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened. In this respect, it is expected that jurisdictions have strong measures in place to ensure that valid self-certifications are always obtained for New Accounts.[253]

2.4 Therefore, the general rule is that self-certifications need to be both obtained and validated on "day one" of the account opening process. There are limited circumstances when self-certifications can be obtained and validated as part of a "day two" process, within 90 days, and no later than the deadline for CRS reporting for the period in which the account was opened.

2.5 Reporting NZFIs are required to obtain, as part of the above-mentioned general "day one" self-certification process, all of the required identity information such as the account holder's and, if the account holder is a passive NFE, controlling person's:[254]

- name
- address
- date of birth
- jurisdiction(s) of tax residence, and
- foreign taxpayer identification number(s) (TINs), or equivalent.

2.6 Reporting NZFIs should **not materially progress the account opening process until** they have obtained a complete self-certification including all of this information. For example, Reporting NZFIs should not allow deposits into the account until they have obtained a complete self-certification.

Confirming the "reasonableness" (validity) of a self-certification

2.7 Reporting NZFIs **also** need to confirm the "reasonableness" or validity of such completed self-certifications. There are two options that apply here.

"Day one" "validation/reasonableness" process (default rule): the Reporting NZFI may confirm the "reasonableness" (validity) of such self-certifications as part of a "day one" process (i.e. confirming the validity of a self-certification before materially progressing the account opening process –before allowing deposits into the account).

"Day two" "validation/reasonableness" process (option): alternatively, the Reporting NZFI can choose to adopt a "day two" process for confirming the "reasonableness" of this self-certification if it uses a "back office" process to carry out these procedures.

However, a Reporting NZFI should only adopt a "day two" "validation/reasonableness" process if they have the functionality to freeze or close those accounts where they are unable to confirm the reasonableness of such self-certifications, within 90 days and no later than the deadline for reporting. This is because Reporting NZFIs have obligations to take reasonable care when

[253] Reporting NZFIs are also required to collect the roles for equity interest account holders (for investment entity legal arrangements) and controlling persons (for passive NFEs) that are reportable persons (see pp 34 and 126 of the document titled "Consolidated text of the Common Reporting Standard (2025).)"

[254] Reporting NZFIs are also required to collect the roles for equity interest account holders (for investment entity legal arrangements) and controlling persons that are reportable persons (see pp 34 and 126 of the document titled "Consolidated text of the Common Reporting Standard (2025).")

carrying out their CRS due diligence obligations. They also have specific obligations to always obtain valid self-certifications for new accounts.

2.8 The ability for a Reporting NZFI to use this "day two" validation process is subject to a condition that the reporting NZFI must have obtained a valid self-certification within 90 days – and no later than the deadline for reporting i.e. 30 June of the relevant year.

2.9 The OECD has confirmed that the 90-day period available to Reporting NZFIs under the "day two" validation process is subject to the proviso that it does not result in the reporting of the new account at a later date than would otherwise be required under the "day one" process.

2.10 In other words, the OECD considers that the "day two" validation process does not change the overarching requirement that reporting NZFIs must **always** obtain a valid self-certification for new accounts in the period when the account is opened.[255] The "day two" validation process is an operational concession and the requirement that a Reporting NZFI must complete the validation within 90 days and no later than the deadline for reporting that account, means that a Reporting NZFI adopting this concession is placed in the same position or no more favourable position for reporting purpose as if they had applied a "day one" validation (the default rule).

3. Consequences if a valid self-certification is not obtained within 90 days of account opening of a new account

3.1 The OECD has also confirmed that, as a result of this requirement, Reporting NZFIs need to have strong measures in place that provide for consequences if a valid self-certification is not obtained within 90 days of account opening and by 30 June of the relevant year.

3.2 The OECD has confirmed that the following can be examples of **sufficiently strong measures** (after the 90 day period), involving the Reporting NZFI:

- not completing their account opening procedures, **if** they are unable to receive a valid self-certification,
- freezing the account, until[256] they have received a valid self-certification, or
- closing the account, if they do not receive a valid self-certification.

3.3 If an account is frozen, it would then be able to be reactivated if a valid self-certification is subsequently obtained. The OECD has confirmed that "freezing", in this context, means no deposits into the account and no withdrawals from the account.

3.4 Reporting NZFIs are required to take these strong measures because they have a legal obligation to **always** obtain valid self-certifications for new accounts and may be subject to penalties if they fail to do so.[257] Reporting NZFIs can be subject to penalties for lack of reasonable care if they do not take reasonable steps[258] to comply with their CRS obligations, including not taking such "strong measures" to help ensure that they are able to obtain valid self-certifications for new accounts. Furthermore, Reporting NZFIs are not able to rely on self-certifications that are incorrect or unreliable. Therefore, it is important that reporting NZFIs take these strong measures in these circumstances, so they are in a position to be able to comply with their legal obligations. Reporting

[255] See p 125 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[256] A Reporting NZFI that chooses to take the serious measure of "freezing" an account should also consider when it may be reasonable for them to "close" any such account that has been frozen.
[257] See section 142H(3) of the TAA.
[258] See section 142H(5) of the TAA.

NZFIs are also required to keep a record of any instances where they have failed to obtain valid self-certifications.

3.5 These strong measures may also be supplemented by penalties being imposed on Reporting NZFIs that do not take appropriate and reasonable measures to obtain a valid self-certification and/or on account holders or controlling persons that fail to provide a correct and valid self-certification on a timely basis. A Reporting NZFI that adopts the strong measures outlined above would not be subject to such a penalty assuming that they have otherwise taken reasonable steps to comply with their CRS obligations.

3.6 A Reporting NZFI may consider that, in light of the above requirements, it is easier for them to make the opening of the account contingent or conditional on receiving a valid self-certification - the default rule of adopting a "day one" approach to confirming the reasonableness/validity of a self-certification, as opposed to adopting a "day two" approach. Furthermore, as noted above, a Reporting NZFI should only adopt a "day two" "reasonableness/validation" process if they have the functionality to freeze or close accounts within 90 days and no later than the deadline for reporting.

3.7 Lastly, the OECD has confirmed that reporting for new accounts where a valid self-certification has not been obtained on the basis of an indicia search, or in accordance with the undocumented account procedures, are not **sufficiently strong measures** to ensure that valid self-certifications are always obtained for new accounts.

3.8 However, as noted above, for the period commencing 1 April 2026 (i.e. the period ended 31 March 2027 – with reporting due by 30 June 2027), and subsequent periods, there has been an amendment to the CRS due diligence procedures for new accounts (individual and entity) where there is a temporary lack of self-certification for a new account. **In exceptional circumstances** where a self-certification cannot be obtained by a Reporting NZFI in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened, the Reporting NZFI must apply the due diligence procedures for preexisting accounts for the account, until such self-certification is obtained and validated. However, such accounts should still be reported as new accounts.[259]

3.9 One example of such **exceptional** circumstances (i.e. where there is a **temporary** lack of self-certification for a new account) could be if a Reporting NZFI has undertaken strong measures such as freezing an account (as set out above), but has still not been able to obtain a valid self-certification for that account. There may also be other exceptional circumstances where there is a temporary lack of self-certification for a new account. For example, there may be a natural disaster, pandemic, or systems outage, or other circumstance outside a Reporting NZFIs control, that means that, despite having reasonable due diligence steps and processes, a Reporting NZFI is not able to obtain and validate a self-certification in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened. This will depend on the particular circumstances. However, given that the “day two” back-office function process already affords a 90-day window for obtaining and validating self-certifications, and also taking into account the requirement that the circumstances be “exceptional”, there would be a high bar before there will be such **exceptional** circumstances where there is a **temporary** lack of self-certification for a new account.

[259] See p 77 of the document titled “Consolidated text of the Common Reporting Standard (2025).”

Appendix 9: The application of the Common Reporting Standard to corporate trustees within a professional group (and to the trusts that such companies provide services to)

Background

In broad terms, the Common Reporting Standard (CRS) requires that Reporting NZFIs carry out due diligence to review their financial accounts to identify accounts held and/or, in certain circumstances, controlled[260] by foreign tax residents, collect certain prescribed identity and financial account information about such persons and accounts, and report this information[261] to Inland Revenue if the persons are reportable persons. Inland Revenue then exchanges this information with the account holder's/controlling person's jurisdiction of tax residence.

Inland Revenue has received a number of queries about applying the CRS to corporate trustees operating within a professional group (largely law and accounting firms) that provide trustee and managerial services to trusts in relation to clients of those professional firms. The queries have focused on the circumstances when corporate trustees and the trusts they provide services to will be financial institutions for CRS purposes.

There are four types of financial institutions for CRS purposes - investment entity, depository institution, custodial institution, and specified insurance company. This guidance will focus on the investment entity type of financial institution, which is the type most likely to be relevant to corporate trustees and trusts. This guidance also includes the amendments to the CRS, which take effect as of 1 April 2026.

The scheme of the CRS[262] and the CRS commentary is clear that corporate trustees and trusts can depending on the circumstances be investment entity financial institutions. However, this guidance focuses on the circumstances when this is the case.

Definition of "investment entity" for CRS purposes

An entity will be an investment entity for CRS purposes if the entity primarily conducts as a business (with at least half of its income – 50% or more over the specified period[263]) for or on behalf of customers one or more of a number of specified investment activities. These specified investment activities include "investing, administering or manging financial assets, money, or relevant crypto-assets on behalf of other persons".[264]

An entity will also be an investment entity for CRS purposes if the entity derives its income "primarily" (at least half of its income – 50% or more over the specified period[265]) from investing, reinvesting or trading in

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[260] This will apply if the account holder is a type of entity known as a passive non-financial entity under s VIII(D)(8) of the CRS.

[261] This will be the case if the person is tax resident in a reportable jurisdiction **or** the financial institution otherwise chooses to adopt what is known as the wider approach to reporting (in which case they would report all relevant foreign tax residents they identify).

[262] See, for example, ss VIII(B)(1)(e) and VIII(C)(4) of the CRS.

[263] The "specified period" is the period covering the preceding 3 reporting periods ended 31 March.

[264] Such as trading in money market instruments (cheques, bills, certificates of deposit, derivatives etc), foreign exchange, exchange, interest rate and index instruments, transferable securities, commodity futures trading, individual and collective portfolio management, or otherwise investing, administering or managing financial assets, money, or relevant crypto-assets on behalf of other persons. Refer to the definition of "investment entity" a) in the CRS for Automatic Exchange of Financial Account Information in Tax Matters (AEOI) in the CRS at s VIII(A)(6).

[265] The "specified period" is the period covering the preceding 3 reporting periods ended 31 March.

financial assets or relevant crypto-assets, and is managed by another financial institution (other than a managed investment entity).[266]

The definition of investment entity also refers to the Financial Action Task Force Recommendations (FATF recommendations), which underpin New Zealand's Anti-Money Laundering regime. This is based on looking at the nature of the activities that the entity performs (i.e. an activity based focus), as opposed to a narrow focus of what entity within a group of entities may receive the payment for such activities.

For example, under the FATF recommendations an entity performing individual portfolio management/custodial services for customers would still be a financial institution under the FATF recommendations even if another entity within the group received the remuneration for those services for matters of administrative convenience. Furthermore, an entity performing collective portfolio management services for customers would still be a financial institution under the FATF recommendations even if another entity within the group received the remuneration for those services for matters of administrative convenience.

Therefore, it is a principle underpinning the definition of investment entity – which needs to be read in accordance with the FATF recommendations – that an entity that would otherwise be a financial institution because of the activities/services that it carries out would not cease to be a financial institution simply if another group entity receives the fees for those services for matters of **administrative convenience**.

We also note that New Zealand introduced the CRS and the related CRS commentary into New Zealand law with the purpose of participating in a globally consistent approach to the application of CRS due diligence, reporting, and exchange of information requirements. Similarly, the CRS commentary itself emphasises the importance of jurisdictions interpreting fundamental parts of the CRS consistently, so that there is a consistent and 'level playing field' amongst participating jurisdictions.

The CRS commentary also states, albeit in relation to a different technical issue, that in adopting domestic guidance:[267]

> **care should be taken to address any inconsistencies that may arise in a cross border context**....so that the **guidance** does not frustrate the purposes of the Common Reporting Standard (Emphasis added).

The global approach taken by jurisdictions implementing the CRS known as participating jurisdictions has been to read the reference to "primarily as a business" in the definition of investment entity and a conceptually similar reference in the definition of custodial institution contextually as covering an entity that performs the specified investment activities that are remunerated, irrespective of what entity within the group receives the payment for such services. This is consistent with the FATF recommendations.

The CRS commentary has also been amended to explicitly confirm this approach. For the purposes of the gross income test, all remuneration for the relevant activities of an entity is to be taken into account, independent of whether that remuneration is paid directly to the entity to which the test is applied or to another entity. For example, in certain instances, a professional accounting or law firm sets up a trust for a client and, as part of that process, appoints a corporate trustee. The client then pays the accounting or law firm for all services rendered in relation to the set-up of the trust, including the appointment of the corporate trustee and other trustee services. As such, the corporate trustee itself does not receive a direct remuneration for its services as these are paid to the accounting or law firm as part of the overall package. This issue can also arise in the context of entities that provide custodial services if the fees for such services

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[266] Refer to definition of "investment entity" (b) in the CRS at s VIII(A)(6).

[267] See p 98 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

are paid to another entity. In both instances, such remuneration should be taken into account for the purposes of the gross income test.[268]

The examples set out below outline Inland Revenue's view of the circumstances when corporate trustees and the trusts they act for will be investment entity financial institutions for CRS purposes. These examples align with the global approach to interpreting the language in the definition of investment entity and a similar approach to the definition of custodial institution, as also now explicitly set out in the CRS commentary,[269] and are consistent with the background context and purpose underpinning the introduction of the CRS in New Zealand.

Section 185O and Schedule 2 of the TAA have also been amended to clarify the application of the CRS to a financial institution that is an Investment Entity or Custodial Institution for CRS purposes. These amendments are in line with the above guidance.

The following examples provide guidance about the circumstances when corporate trustees within professional groups and the trusts that they act for will come within the CRS definition of financial institution. These examples are also subject to review by the OECD, so are potentially subject to change.

The nature of a payment in this context (for example, whether it constitutes 'trustee fees' and what those fees relate to) will depend on what the payment is "for". This will require a consideration of the particular facts and will not be based simply on the label that is used to describe the payment.

There is also a CRS anti-avoidance provision set out in section 185R of the TAA that could potentially apply to deem a corporate trustee and the trusts they act for to be financial institutions if an arrangement is entered into for a person to avoid being a financial institution.

If a corporate trustee or trust is a financial institution, they will generally have CRS due diligence and, if they have any reportable accounts, reporting obligations. However, a financial institution trust is able to engage a reporting financial institution trustee to carry out CRS due diligence and reporting on its behalf. The trust – in this context – is then known as a "trustee documented trust", which is a type of Non-Reporting financial institution. It is important to note, though, that if the trustee does not comply with such obligations (i.e. due diligence and reporting obligations), these obligations will then revert to the trust.

If such entities are not financial institutions, but hold accounts with financial institutions they will have obligations to assist such other institutions with their CRS due diligence.

[268] See p 83 of the document titled “Consolidated text of the Common Reporting Standard (2025).”
[269] Section 185O(3)(b) of the TAA, in turn, states that the CRS must be applied consistently with the CRS commentary.

Example 1
A trust is set up on the advice of a professional firm (for example a law firm or an accounting firm) to their client. That firm's corporate trustee acts as the trustee of the trust. A trust's income is 100% attributable to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period.[270] The corporate trustee acts for the trust (as a business) without itself directly charging any fees. However, its related entity (the firm) charges trustee fees for the corporate trustee's services of investing, administering or managing the trust's assets (i.e. investing, administering or managing financial assets). The firm receives the trustee fees for matters of administrative convenience.
The trustee fees are 100% attributable to investing, administering or managing the trust's financial assets.

Is the corporate trustee a financial institution?

Yes. The trustee fees are primarily attributable (i.e. 50% or more – **100% in this case)** to the trustee's services of investing, administering or managing the trust's financial assets and money. Therefore, the trustee is an investment entity financial institution. This is the case even though the firm receives the trustee fees (not the trustee) for matters of administrative convenience.

Important: This same answer would apply even if the professional firm set up a bespoke corporate trustee to act as trustee for a single trust (i.e. the corporate trustee would be a financial institution). This view is consistent with the example set out at p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)", which refers to the application of this attribution rule in the context of the appointment of "a corporate trustee" (which could be a bespoke corporate trustee) for a trust that the firm sets up.

Is the trust a financial institution?

Yes. The trust is managed by a financial institution (the corporate trustee). The trust's gross income is also primarily attributable (50% or more – **100% in this case**) to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period. Therefore, the trust is an investment entity financial institution.

Important: Please note that, if there are accounts to report, it is necessary for these purposes to register the trust for reporting, with accounts to be reported under the relevant trust.

Example 2
The facts are the same as example 1, except that there is no charge for the corporate trustee's services (i.e. no trustee fees).

Is the corporate trustee a financial institution?

No. There are no trustee fees (i.e. the corporate trustee is not remunerated). Therefore, the corporate trustee can't be a financial institution.

Is the trust a financial institution?

No. This is because the trust is not managed by a financial institution (i.e. the corporate trustee is not a financial institution). Please note, however, that the trust would still be a financial institution if it was managed by some other financial institution.

[270] The "specified period" is the period covering the preceding 3 reporting periods ended 31 March.

Example 3
A trust is set up on the advice of a professional firm (for example a law firm or an accounting firm) to their client. That firm's corporate trustee acts as the trustee of the trust.
A trust's income is 50% attributable to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period.[271] The other 50% of the trust's income is attributable to rental from an investment property (a non-financial asset) over the specified period.
The corporate trustee acts for the trust (as a business) without itself directly charging any fees. However, its related entity (the firm) charges trustee fees for the corporate trustee's services of investing, administering or managing the trust's assets (i.e. investing, administering or managing financial assets) and administering/managing the investment property. The firm receives the trustee fees for matters of administrative convenience.
The trustee fees are 50% attributable to investing, administering or managing the trust's financial assets. The other 50% of the trustee fees are attributable to investing, administering, or managing the investment property (a non-financial asset).

Is the corporate trustee a financial institution?

Yes. The trustee fees are primarily attributable (50%) to the trustee's services of investing, administering or managing the trust's financial assets and money. Therefore, the trustee is an investment entity financial institution. This is the case even though the firm receives the trustee fees (not the trustee) for matters of administrative convenience.

Is the trust a financial institution?

Yes. The trust is managed by a financial institution (the corporate trustee). The gross income of the trust is also primarily attributable (50%) to investing, reinvesting or trading in financial assets such as shares and bonds) over the specified period. Therefore, the trust is an investment entity financial institution.

Important: Please note that, if there are accounts to report, it is necessary for these purposes to register the trust for reporting, with accounts to be reported under the relevant trust.

Example 4
A trust is set up on the advice of a professional firm (for example a law firm or an accounting firm) to their client. That firm's corporate trustee acts as the trustee of the trust.
A trust's income is 50% attributable to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period.[272] The other 50% of the trust's income is attributable to rental from an investment property (a non-financial asset) over the specified period.
The trust was set up on the advice of a professional firm (for example a law firm or an accounting firm) to their client and that firm's own corporate trustee is the trustee of the trust.
The corporate trustee engages a financial institution provider of discretionary investment management services (a DIMS provider) to manage the trust's financial assets (the shares and bonds).
The corporate trustee manages and administers the trust's investment property and carries out general trust administration.
The corporate trustee acts for the trust (as a business) without itself directly charging any fees. However, its related entity (the firm) charges trustee fees for the corporate trustee's services of managing and administering the trust's investment property and carrying out general trust administration. The firm receives the trustee fees for matters of administrative convenience.
The trustee fees are 90% attributable to managing and administering the trust's investment property (a non-financial asset) and providing general trust administration. 10% of the trustee fees are attributable to managing and administering money (including receipt of rental/paying rates and insurance etc) as an

[271] The "specified period" is the period covering the preceding 3 reporting periods ended 31 March.
[272] The "specified period" is the period covering the preceding 3 reporting periods ended 31 March.

incidental part of providing these services. The DIMS provider is also remunerated by the trust for its services of managing the trust's financial assets.

Is the corporate trustee a financial institution?

No. The trustee fees are primarily attributable (**90% in this case)** to managing and administering the trust's investment property (a **non**-financial asset) and providing general trust administration. Therefore, the corporate trustee is not a financial institution.

Is the trust a financial institution?

Yes. The trust is managed by a financial institution (the DIMS provider). The gross income of the trust is also primarily attributable (i.e. 50% or more – 50% in this case) to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period. Therefore, the trust is an investment entity financial institution.

Important: Please note that, if there are accounts to report, it is necessary for these purposes to register the trust for reporting, with accounts to be reported under the relevant trust.

Example 5
A corporate trustee is a trustee of a trust whose only asset is a family home.
The trust was set up on the advice of a professional firm (for example a law firm or an accounting firm) to their client and that firm's own corporate trustee is the trustee of the trust.
The trust does not derive any income. The corporate trustee acts for the trust as a business without itself directly charging any fees. However, its related entity (the firm) charges trustee fees for the corporate trustee's services of general trust administration and activities related to the family home (a non-financial asset).
The firm receives the trustee fees for matters of administrative convenience.

Is the corporate trustee a financial institution?

No. The trustee fees are not primarily attributable (50% or more) to specified financial services (such as managing, investing, or administering financial assets, relevant crypto-assets, or money). Instead, the trustee fees are for general trust administration and activities related to the family home (a non-financial asset). Therefore, the corporate trustee is not an investment entity financial institution.

Is the trust a financial institution?

No. The trust does not derive any income. Therefore, it cannot be a financial institution.

Disclaimer: The information in this guidance is a high-level summary, with some exceptions, to help you understand your obligations under the CRS laws in New Zealand. It does not constitute a ruling or binding legal advice.

This guidance is also subject to review by the OECD, so may be subject to change.

For more information about tax residence and automatic exchange of information, go to:

- **NZ** - ird.govt.nz/international/exchange/crs/crs-index
- **OECD** - oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/ tax-residency/

Appendix 10 – Common Reporting Standard Guidance Addendum

1 Background

1.1 The purpose of this guidance addendum is to summarise the Common Reporting Standard (CRS) amendments in effect as of 1 April 2026. These amendments:

- increase the range of financial institutions and financial accounts that are in scope for CRS due diligence and reporting, and
- strengthen the CRS due diligence and reporting requirements.

1.2 This guidance addendum should be read in conjunction with IR1048(B), which sets out the CRS due diligence and reporting requirements in more detail.

1.3 Annex 1 outlines a number of defined terms referred to in the guidance. Annex 2 outlines types of excluded financial institutions and financial accounts that are relevant to the CRS amendments.

2 Financial Institutions and financial accounts becoming in scope (or where the scope has been clarified) for CRS due diligence and reporting

Depository Institution – Entities holding Specified Electronic Money Products or Central Bank Digital Currencies

2.1 The CRS definition of "depository institution" in s VIII(A)(5) of the CRS has been amended to include any entity that holds specified electronic money products (s VIII(A)(9) of the CRS) or central bank digital currencies for the benefit of customers (s VIII(A)(10) of the CRS). This amendment has occurred because such accounts can be considered functionally similar to a traditional bank account for customers and may therefore raise tax compliance concerns similar to accounts already covered by the CRS.

2.2 There has also been a related amendment to the CRS definition of "depository account" in s VIII(C)(2) of the CRS to include:

- an account or notional account that represents all specified electronic money products held for the benefit of a customer, and

- an account that holds one or more central bank digital currencies for the benefit of a customer. (The term central bank digital currency covers any official currency of a jurisdiction, issued in digital form by a central bank).

2.3 For example, fin tech providers of e-money services for the benefit of customers would be depository institutions, **provided that** the products provided come within the definition of specified electronic money product (as set out below).

2.4 The term specified electronic money product[276] covers digital representations of a single fiat currency that:

- are issued on receipt of funds for the purpose of making payment transactions,
- are represented by a claim on the issuer denominated in the same fiat currency,
- are accepted by a natural or legal person other than the issuer, and
- by virtue of regulatory requirements to which the issuer is subject, are redeemable at par for the same fiat currency upon request of the holder of the product. (For this criterion, it will be relevant to consider **how the particular issuer is regulated**).

2.5 However, an account is **not** a specified electronic money product if it is created solely to facilitate a funds transfer pursuant to instructions of a customer and that cannot be used to store value.

Depository Institution – Entities licenced to engage in banking activities

2.6 The CRS commentary in relation to s VIII of the CRS has also been amended to expand the scope of the depository institution category of financial institution to include entities that are **merely licensed** to engage in the prescribed banking activities but are not actually so engaged.[277]

Investment Entity – Relevant Crypto-assets

2.7 The CRS definition of "investment entity" in s VIIIA(6) of the CRS has been amended as set out below to cover investments in relevant crypto-assets. The term "relevant crypto-asset" means any crypto-asset that is not a central bank digital currency, a specified electronic money product or any crypto-asset for which the reporting crypto-asset service provider has adequately determined that it cannot be used for payment or investment purposes (s VIII(A)(13) of the CRS).

2.8 The "in business" investment entity category (i.e. in para (a) of the CRS definition of "investment entity" in s VIIIA(6) of the CRS) has been amended to include an entity that primarily (50% or more) derives as a business for customers its gross income over the specified period from investing, administering, or managing **relevant crypto-assets** on behalf of other persons (i.e. including this as a specified activity under paragraph (a) of the definition of "investment entity").

2.9 However, this amendment does **not** include the provision of services effectuating exchange transactions for or on behalf of customers (i.e. this is not included as a specified activity). The term "exchange transaction" (s VIII(A)(14) of the CRS), in turn, means any:

- exchange between relevant crypto-assets and fiat currencies, and
- exchange between one or more forms of relevant crypto-assets.

[276] See annex 1 for the full definition of "specified electronic money product." See annex 2 for an outline of the circumstances where certain low value specified electronic money products will be excluded accounts.
[277] See p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example
Collective trust is a collective investment vehicle unit trust that carries on, as its business, collective portfolio management activities for customers. This includes investing in a number of different types of financial assets and relevant crypto-assets. Collective trust derives its income 60% from such activities (40% from investing in financial assets and 20% from investing in relevant crypto-assets.

Is Collective trust an "in business" investment entity?

Yes. Collective trust performed specified investment activities (collective portfolio management) for customers over the specified period. Collective trust also derived its income "primarily" (50% or more) from such activities over that period, and with such activities including the investment in financial assets and relevant crypto-assets. Therefore, Collective trust is an "in business" investment entity financial institution.

2.10 The "managed" investment entity category (i.e. in para (b) of the CRS definition of "investment entity" in s VIIIA(6) of the CRS) has also been amended to include an entity that:

- primarily (50% or more) derives its gross income over the specified period from investing, reinvesting, or trading in **relevant crypto-assets** on behalf of other persons (i.e. including this as a specified activity under paragraph (b) of the definition of "investment entity"), and
- is managed by another financial institution (other than a managed investment entity).

Custodial Institution – Relevant Crypto-assets

2.11 The CRS commentary in relation to the definition of "custodial institution" in s VIII(A)(4) of the CRS has (as explained below) been amended to include commissions and fees from holding, transferring and exchanging **relevant crypto-assets** held in custody. This is in the context of **financial assets issued in the form of** a crypto-asset.

The CRS definition of "financial asset" in s VIII(A)(7) of the CRS – which is relevant to the definition of custodial institution - has also been amended to include an interest in a relevant crypto-asset.

2.12 The CRS commentary in relation to s VIII of the CRS also states that an arrangement to safe keep or administer the instrument enabling control over one or more financial assets issued in the form of a crypto-asset for the benefit of another person is a custodial account, to the extent that the entity has the ability to manage, trade or transfer to third parties the **underlying financial assets** on the person's behalf. The CRS commentary states that for financial assets issued in the form of a relevant crypto-asset, "safekeeping" is understood to also include the safekeeping or administration of instruments enabling control over such assets (for example, private keys), to the extent that the entity has the ability to manage, trade or transfer to third parties the underlying financial assets on the user's behalf. Therefore, an entity that solely offers storage or security services for private keys to such financial assets, would **not** be considered a custodial institution.[278]

Custodial accounts for financial assets issued in the form of a crypto-asset

2.13 As set out above, an arrangement to safe keep or administer the instrument enabling control over one or more financial assets issued in the form of a crypto-asset for the benefit of another person is a custodial account, to the extent that the entity has the ability to manage, trade or transfer to third parties the underlying financial assets on the person's behalf.

[278] See p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example
An individual, A, holds a custodial account with C, a custodial crypto-asset exchange that is a Reporting NZFI. At the beginning of the year, A holds 5 units of security token X in the custodial account with C. Throughout the year, A acquires an additional 3 units of security token X and disposes of 2 units. C reports the account balance of the custodial account under subparagraph A(4) of s 1 of the CRS. C is also required to report the gross proceeds from the disposals of security token X under subparagraph A(5)(b) of s 1 of the CRS **if** they do **not** report the gross proceeds of security token X under the crypto-asset reporting framework (or if they otherwise to elect to report such gross proceeds for CRS purposes).[279]

2.14 Important: If a Reporting NZFI custodial crypto-asset exchange provides such custodial services to customers and has multiple accounts/sub-custodial accounts for a particular customer such as individual A in the above example - and with one of these accounts being a pre-existing account maintained as of 31 March 2026 - they are able to use the "additional" account due diligence processes for these accounts, such that these accounts can be treated as pre-existing accounts in the circumstances set out at s 5.3.1 of IR1048(B).

Investment Entity/Custodial Institution – All Remuneration

2.15 The CRS commentary has also been amended to clarify that for the purposes of the investment entity and custodial institution gross income tests, all remuneration for the relevant activities of an entity is to be taken into account, **independent of** whether that remuneration is paid directly to the entity to which the test is applied or to another entity (see the CRS commentary in relation to s VIII of the CRS).[281]

[279] These reporting requirements are set out in detail at s 6 of this guidance.
[281] See p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Example
Remuneration paid to a related entity: A trust is set up on the advice of a professional firm (for example, a law firm or an accounting firm) to their client. That firm's corporate trustee acts as the trustee of the trust.
The trust's income is 50% attributable to investing, reinvesting or trading in financial assets (such as shares and bonds) over the specified period. The other 50% of the trust's income is attributable to rental from an investment property (a non-financial asset) over the specified period.
The corporate trustee acts for the trust as a business without itself directly charging any fees. However, its related entity (the firm) charges trustee fees for the corporate trustee's services of investing, administering or managing the trust's assets (i.e. investing, administering or managing financial assets) and administering/managing the investment property. The firm receives the trustee fees for matters of administrative convenience. The trustee fees are 50% attributable to investing, administering or managing the trust's financial assets. The other 50% of the trustee fees are attributable to investing, administering, or managing the investment property (a non-financial asset).

Is the corporate trustee a financial institution?

Yes. The trustee fees are primarily attributable (50%) to the trustee's services of investing, administering or managing the trust's financial assets and money over the specified period. Therefore, the trustee is an investment entity financial institution. This is the case **even though** the firm receives the trustee fees (not the trustee) for matters of administrative convenience.
Important: This same answer would apply even if the professional firm set up a bespoke corporate trustee to act as trustee for a single trust (i.e. the corporate trustee would be a financial institution). This view is consistent with the example set out at p 83 of the document titled "Consolidated text of the Common Reporting Standard (2025)", which refers to the application of this attribution rule in the context of the appointment of "a corporate trustee" (which could be a bespoke corporate trustee) for a trust that the firm sets up.

Is the trust a financial institution?

Yes. The trust is managed by a financial institution (the corporate trustee). The gross income of the trust is also primarily attributable (50%) to investing, reinvesting or trading in financial assets such as shares and bonds over the specified period. Therefore, the trust is an investment entity financial institution.

Timing of CRS due diligence for financial accounts that become in scope solely because of CRS amendments

2.16 This guidance will now set out the timeframes for CRS due diligence for financial accounts that become in scope solely because of CRS amendments (for example, for in scope specified electronic money products, central bank digital currencies, or financial accounts for relevant-crypto-assets maintained by a Reporting NZFI– referred to above):

Pre-Existing Account Due diligence - financial accounts that become in scope solely because of CRS amendments

2.17 A financial account that becomes in scope solely because of the CRS amendments in effect as of 1 April 2026 is a pre-existing account if either of the following applies:

- the account is maintained by the Reporting NZFI as of 31 March 2026, or
- the account is an "additional" account opened and maintained by the Reporting NZFI on or after 1 April 2026 that is able to be treated by the Reporting NZFI as a pre-existing account. (Please see 5.3.1 in IR1048(B) for the circumstances when such an "additional" account can be treated as a pre-existing account for CRS purposes).

2.18 Due diligence for such pre-existing accounts must generally[282] be completed for the account by 31 March 2027:

	Completion of initial CRS due diligence	**CRS reporting (if reportable account)**
Pre-existing individual accounts	31 March 2027	30 June 2027[283]
Pre-existing entity accounts	31 March 2027	30 June 2027[284]

Example 1
Pre-existing individual account – high value account: On 31 March 2026 Reporting NZFI maintains an in scope specified electronic money product financial account (account 1) that is held by Amanda. Account 1 becomes a financial account solely by virtue of the amendments to the CRS on 1 April 2026. Account 1 has a balance or value of $1,100,000 as of 31 March 2026.

When does the Reporting NZFI need to carry out CRS due diligence on the account?

The Reporting NZFI is required to carry out CRS due diligence (i.e. high value due diligence, given that the balance or value of the account exceeds $1,000,000) on the financial account by 31 March 2027 to determine whether Amanda is a relevant foreign tax resident. Please refer to 5.3.3 of IR 1048(B) for further detail of what such due diligence involves.
If the Reporting NZFI identifies that the account is a reportable account, they will be required to report on the account in their report for the period ended 31 March 2027 (i.e. by 30 June 2027) and for subsequent reporting periods unless the account ceases to be a reportable account.
The Reporting NZFI is also required to carry out on-going CRS due diligence (and, if the account is reportable, reporting) for the account. Please refer to 5.3 of IR 1048(B) for further detail of what such on-going due diligence and reporting involves.

Example 2
Pre-existing individual account – lower value account: On 31 March 2026 Reporting NZFI maintains an in scope specified electronic money product financial account (account 2) that is held by Bob. Account 2 becomes a financial account solely by virtue of the amendments to the CRS on 1 April 2026. Account 2 has a balance or value of $500,000 as of 31 March 2026.

When does the Reporting NZFI need to carry out CRS due diligence on the account?

The Reporting NZFI is required to carry out CRS due diligence (i.e. lower value due diligence, given that the balance or value of the account does not exceed $1,000,000) on the financial account by 31 March 2027 to determine if Bob is a relevant foreign tax resident. Please refer to 5.3.2 of IR 1048(B) for further detail of what such due diligence involves.
If the Reporting NZFI identifies that the account is a reportable account, they will be required to report on the account in their report for the period ended 31 March 2027 (i.e. by 30 June 2027) and for subsequent reporting periods unless the account ceases to be a reportable account.
The Reporting NZFI is also required to carry out on-going CRS due diligence and, if the account is reportable, reporting for the account. Please refer to 5.3 of IR1048(B) for further detail of what such on-going due diligence and reporting entails. This includes additional due diligence that will need to be carried out if the account becomes a high value account.

[282] There are some exceptions for those financial accounts that are initially below the threshold for carrying out CRS due diligence (for example, a pre-existing entity account with a balance or value of $200,000 as of 31 March 2026 and where the Reporting NZFI does not elect out of the $250,000 threshold exemption), but **then** later exceeds this threshold. Please refer to 5.5 of IR1048(B) for more detail about when due diligence needs to be carried out for such accounts and what such due diligence involves.
[283] This reporting will be annual in nature (i.e. reporting by 30 June of the relevant year) unless the account ceases to be a reportable account.
[284] This reporting will be annual in nature (i.e. reporting by 30 June of the relevant year) unless the account ceases to be a reportable account.

Example 3
Pre-existing entity account: On 31 March 2026 Reporting NZFI maintains an in scope specified electronic money product financial account (account 3) that is held by an entity. Account 3 becomes a financial account solely by virtue of the amendments to the CRS (on 1 April 2026). Account 3 has a balance or value of $400,000 as of 31 March 2026.

When does the Reporting NZFI need to carry out CRS due diligence on the account?

The Reporting NZFI is required to carry out CRS due diligence (i.e. pre-existing entity account due diligence - because the account balance exceeds the $250,000 threshold for pre-existing entity accounts) on the financial account by 31 March 2027 to identify:

- whether the account is held by a relevant foreign tax resident, and
- if the account holder is a passive non-financial entity (NFE), whether there are any controlling persons that are relevant foreign tax residents.

Please refer to 5.5 of IR 1048(B) for further detail of what such due diligence involves.
If the Reporting NZFI identifies that the account is a reportable account, they will be required to report on the account in their report for the period ended 31 March 2027 (i.e. by 30 June 2027) and for subsequent reporting periods unless the account ceases to be a reportable account.
The Reporting NZFI is also required to carry out on-going CRS due diligence and, if the account is reportable, reporting for the account. Please refer to 5.5 of IR1048(B) for further detail of what such on-going due diligence and reporting involves.

2.19 Please refer to 5.3 and 5.5 in IR1048(B) for more detail about what these due diligence procedures require including the circumstances where changes in account balances and changes in circumstances may require further due diligence and the detail about what these due diligence procedures require.

New Account Due diligence - financial accounts that become in scope solely because of CRS amendments

2.20 A financial account maintained by a Reporting NZFI that becomes in scope solely because of the CRS amendments in effect as of 1 April 2026 is a new account if:

- the account is opened on or after 1 April 2026, and

- the account is **not** able to be treated as a pre-existing account. (Please refer to 5.3.1 of IR1048(B) for further details of the circumstances when an "additional" account – including an account opened on or after 1 April 2026 that becomes in scope solely because of the CRS amendments and is an "additional" account - can be treated as a pre-existing account for CRS purposes).

Example 1
New individual account: On 1 April 2026 person A (Sue) opens an account with a Reporting NZFI. The account is an in scope specified electronic money product financial account that becomes a financial account solely by virtue of the amendments to the CRS (on 1 April 2026). The circumstances in which "additional" accounts can be treated as pre-existing accounts also do not apply to the account. Therefore, the account is a new account for CRS due diligence purposes.

When does the Reporting NZFI need to carry out CRS due diligence on the account?

The Reporting NZFI is required to carry out CRS due diligence on account opening – just like any other new account. This includes obtaining a self-certification from Sue to determine whether they are a foreign tax resident and confirming the reasonableness of the self-certification. The account will be reportable if Sue is identified as being a reportable person. Please see 5.4 of IR1048(B) for more detail about these new individual account due diligence procedures – including the circumstances where changes in circumstances may require further due diligence to be carried out and the detail about what these due diligence procedures require.

Example 2
New entity account: On 1 April 2026 a trust opens an account with a Reporting NZFI. The account is an in scope specified electronic money product financial account that becomes a financial account solely by virtue of the amendments to the CRS (on 1 April 2026). The circumstances in which an "additional" account can be treated as a pre-existing account (please refer to 5.3.1 of IR1048(B)) also do **not** apply to the account. Therefore, the account is a new account for CRS due diligence purposes.
Question:
When does the Reporting NZFI need to carry out CRS due diligence on the account?
Answer
The Reporting NZFI is required to carry out CRS due diligence on account opening – just like any other new account. The account is held by an entity (the trust), so the Reporting NZFI is required to carry out **new entity** account due diligence. This includes obtaining a self-certification to determine:

- whether the trust is a foreign tax resident, and
- whether the trust is a passive NFE – and, if so, whether the trust has any controlling persons that are relevant foreign tax residents,

and confirming the reasonableness of the self-certification. Please refer to see 5.6 of IR1048(B) for further detail about these new entity account due diligence procedures.
The account will be reportable if it is held by a reportable person and/or has a controlling person (in the case of the trust being a passive NFE account holder) that is a reportable person. Please see 5.6 of IR1048(B) for more detail about these new entity account due diligence procedures– including the circumstances where changes in circumstances may require further due diligence and the detail about what this involves.

3 Amendments to the CRS due diligence and reporting requirements

3.1 The guidance will now summarise the amendments to the CRS due diligence and reporting procedures in effect as of 1 April 2026.

Amendments to the CRS due diligence procedures

Link between Anti-Money Laundering/Know Your Customer (AML/KYC) procedures and CRS due diligence procedures

3.2 One of the areas where the CRS due diligence procedures have been amended is the link between AML/KYC procedures and these CRS due diligence procedures. These amendments are summarised below:

- If a Reporting NZFI maintains a new entity account that they identify as being held by a passive NFE they may rely on information collected and maintained pursuant to AML/KYC procedures for the purposes of identifying the passive NFE's controlling persons, **provided that** such procedures are consistent with the 2012 Financial Action Task Force (FATF) Recommendations. If the Reporting NZFI is not legally required to apply AML/KYC procedures that are consistent with the 2012 FATF Recommendations, it must apply substantially similar procedures for the purpose of determining the passive NFE's controlling persons (s VI(A)(2)(b) of the CRS).[285]
- If a Reporting NZFI is subject to AML/KYC procedures that are amended, or pursuant to which they are otherwise required to update information, they are required to carry out further CRS due diligence in the following circumstances:
    - The Reporting NZFI must use any additional information obtained under any amended AML/KYC procedures to determine whether there has been a change of circumstances in relation to the identity and/or reportable status of account holders and/or (for an account held by a passive NFE) controlling persons.[286]
    - The Reporting NZFI must - whenever it is required to update the information for a preexisting account pursuant to New Zealand domestic AML/KYC procedures - use reasonable efforts to obtain the TIN(s) and date of birth for such accounts (i.e. if it has not otherwise obtained such TIN and date of birth information).[287]

Dual Residents

3.3 There has also been an amendment to the CRS due diligence procedures for dual tax residents, which requires dual tax resident account holders (individual and entity) to self-certify all of their jurisdictions of tax residence (i.e. tie-breakers in Double Tax Agreements do **not** apply) (see the CRS commentary in relation to ss IV and VI of the CRS).[288]

3.4 Therefore, an account holder that is tax resident in more than one jurisdiction will, subject to the following, need to disclose all of these jurisdictions in their self-certification for CRS purposes. The Reporting NZFI that maintains the account, in turn, must treat the account as being held by a relevant foreign tax resident in respect of each foreign jurisdiction.

3.5 However, dual resident account holders may rely on the tiebreaker rules contained in Double Tax Agreements if applicable to solve cases of double residence for determining their residence for tax

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[285] See p 72 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[286] See p 75 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[287] See p 39 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[288] See pp 58 and 70 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

purposes, **until 1 April 2026**. Following this date, dual residents that are (re-) documented may not rely on tiebreaker rules and will be expected to declare all their jurisdictions of tax residence.[289]

Example 1
Dual Resident – New Account: Reporting NZFI maintains an account that was opened by Rob on 10 April 2026. Rob self-certified as part of the account opening process that they are tax resident in both New Zealand and Australia under the domestic law in these countries. Rob will **not** be able to rely on any tie-breaker rules in the New Zealand/Australia Double Tax Agreement for the purposes of the self-certification. Therefore, the account is held by a relevant foreign tax resident (i.e. Rob is tax resident in Australia – under the domestic law in Australia), and Australia is a reportable jurisdiction, so the account is a reportable account.

Example 2
Dual Resident – Account Redocumented: Reporting NZFI maintains an account that was opened by Liz on 2 February 2024. Liz self-certified as part of the account opening process that they are tax resident under the domestic law of both New Zealand and Australia, but as a result of the tie-breaker in the New Zealand/Australia Double Tax Agreement they tie-break to being only tax resident in New Zealand. However, on 22 May 2026 there is a change of circumstances that causes Reporting NZFI to be required to do further due diligence on the account. Liz is still tax resident at that time in both New Zealand and Australia under the domestic law in these countries. Liz is required to declare to the Reporting NZFI when redocumented as part of this further due diligence that they are tax resident in both of these jurisdictions. Therefore, the account is held by a relevant foreign tax resident (i.e. Liz is tax resident in Australia), and Australia is a reportable jurisdiction, so the account is a reportable account. Please also note that if the Reporting NZFI was unable to obtain a valid self-certification from Liz as part of such change in circumstance procedures it would need to report that they have not obtained a valid self-certification for the account. This reporting requirement is outlined in detail at s 6 of IR1048(B).

Temporary lack of Self-Certification

3.6 There has also been an amendment to the CRS due diligence procedures for new accounts (individual and entity) where there is a temporary lack of self-certification for the new account.

3.7 In exceptional circumstances where a self-certification cannot be obtained by a Reporting NZFI in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened, the Reporting NZFI must apply the due diligence procedures for preexisting accounts for the account, until such self-certification is obtained and validated (s VII(A bis) of the CRS). However, such accounts should still be reported as new accounts.[290]

3.8 One example of such exceptional circumstances could be if a Reporting NZFI has adopted a "day two" back-office function process for validating self-certifications,[291] has undertaken strong measures such as freezing an account, but has still not been able to obtain a valid self-certification for that account.

3.9 There may also be other exceptional circumstances where there is a temporary lack of self-certification for a new account. For example, there may be a natural disaster, pandemic, or systems outage, or other circumstance outside a Reporting NZFIs control, that means that, despite having reasonable due diligence steps and processes, a Reporting NZFI is not able to obtain and validate a self-certification in respect of a new account in time to meet its due diligence and reporting

[289] See pp 58 and 70 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[290] Reporting NZFIs are also required to report whether a valid-self-certification has been obtained for reportable persons for a reportable account as set out in detail at s 6 of IR1048(B), in addition to being required to keep a record of any instances where it has not been able to obtain a valid self-certification for an account.
[291] See s 5.4.2 of IR1048(B) for further detail about the circumstances where such a "day two" validation process can be adopted.

obligations with respect to the reporting period during which the account was opened. This will depend on the particular circumstances. However, given that the "day two" back-office function process already affords a 90-day window for obtaining and validating self-certifications, and also taking into account the requirement that the circumstances be "exceptional", there would be a high bar before there will be such **exceptional** circumstances where there is a **temporary** lack of self-certification for a new account.

High-risk CBI/RBI scheme

3.10 The CRS due diligence procedures have also been amended as set out below to clarify how these procedures apply where:

- the account holder/controlling person has self-certified (for example, on account opening or pursuant to the change in circumstances procedures) that they are tax resident in a jurisdiction, and

- that jurisdiction is offering a potentially high-risk citizenship by investment/resident by investment (CBI/RBI) scheme.

3.1 The CRS commentary sets out the following example of a circumstance that may call into question the reasonableness of a self-certification and the steps that can be taken.[292] In confirming the reasonableness of a self-certification (for example, on account opening or pursuant to the change in circumstances procedures), Reporting NZFIs may be confronted with instances where an account holder or controlling person has provided documentation issued under a citizenship or residence by investment scheme (CBI/RBI scheme), which allows a foreign individual to obtain citizenship or temporary or permanent residence rights on the basis of local investments or against a flat fee. Certain high-risk CBI/RBI schemes may be potentially misused to circumvent reporting under the CRS. Such potentially high-risk CBI/RBI schemes are those that give a taxpayer access to a low personal income tax rate on offshore financial assets and do not require significant physical presence in the jurisdiction offering the CBI/RBI scheme.

3.12 The OECD endeavours to publish information on such potentially high-risk CBI/RBI schemes on its website. The current information in relation to such schemes is set out at oecd.org/en/topics/sub-issues/international-standards-on-tax-transparency/residence-citizenship-by-investment.html#what-is-rbi-cbi

[292] See pp 74-75 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

3.13 It is expected that Reporting NZFIs rely on this OECD-published information in making the determination of whether they have a reason to know that a self-certification that they have obtained (for example, on account opening or pursuant to the change in circumstances procedures) is incorrect or unreliable. In particular, where the Reporting NZFI has doubts as to the tax residency(ies) of an account holder or controlling person related to the fact that such person is claiming residence in a jurisdiction offering a potentially high-risk CBI/RBI scheme, the Reporting NZFI should not rely on such self-certification until it has taken further measures to ascertain the tax residency(ies) of such persons, including through raising further questions. Examples of such questions may include:

- whether the account holder/controlling person has obtained residence rights under an CBI/RBI scheme,
- whether the account holder/controlling person holds residence rights in any other jurisdiction(s),
- whether the account holder/controlling person has spent more than 90 days in any other jurisdiction(s) during the previous year, and
- what jurisdictions has the account holder/controlling person filed personal income tax returns in during the previous year.

3.14 Such further questions should be asked **as part of the self-certification validation process** and by complying with the time-frames for obtaining and validating self-certifications (as set out above at ss 5.4.2 and 5.6.1 of IR1048(B), a 90-day back-office validation process can be adopted in certain circumstances when opening a new account). The responses to these questions, accompanied by the relevant supporting documentation where applicable, should assist the Reporting NZFI in ascertaining whether the self-certification passes the reasonableness/validation test. The Reporting NZFI should keep a record of the self-certification and any responses received and other supporting documentation where applicable as part of the self-certification validation process.

Passive Income

3.15 There have also been amendments to the CRS definition of "passive income"[293] relevant to the related definitions of passive NFE and active NFE, so that this definition covers various amounts relating to relevant crypto-assets. These amendments will be relevant where a Reporting NZFI maintains an account held by an NFE and they are determining whether the account is held by a passive NFE – such that the controlling persons then need to be identified for CRS due diligence procedures.

Amendments to the CRS reporting

3.16 This guidance will now summarise the amendments to CRS reporting. These amended reporting requirements[294] set out in s I of the CRS apply to the CRS reporting period commencing 1 April 2026 and ending 31 March 2027 (i.e. reporting by 30 June 2027) and subsequent reporting periods. The full list of the CRS reporting requirements (including these amendments) is set out at s 6 of IR1048(B).

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[293] See the definition of "passive income" in s 3(1) of the Tax Administration Act 1994. These amendments are effective as of 1 April 2026.

[294] These CRS reporting requirements apply (subject to the following) to accounts maintained by the Reporting NZFI that are identified as being held/controlled by reportable persons**.** However, these CRS reporting requirements would extend to cover all relevant foreign tax residents **if** the Reporting NZFI adopts the wider approach to reporting.

Valid Self-Certifications

3.17 Reporting NZFIs are required to report for a financial account whether a valid self-certification has been provided by/for an account holder/each controlling person that is a reportable person (s I(A)(1)(a) and s 1(A)(1)(b) of the CRS).

3.18 A self-certification that has been validated remains valid **until** there is a change of circumstances that causes the Reporting NZFI to know, or have reason to know, that the original self-certification is incorrect or unreliable. When that is the case, the Reporting NZFI cannot rely on the original self-certification and must obtain either:

- a valid self-certification that establishes the residence(s) for tax purposes of the account holder(s)/controlling person(s), or
- a reasonable explanation and documentation supporting the validity of the original self-certification.

If a Reporting NZFI has obtained a valid self-certification for a financial account on account opening, **but** there has been a change of circumstances for the account that causes them to know or have reason to know that the original self-certification is incorrect or unreliable **and** the Reporting NZFI has not been able to obtain a valid self-certification that establishes the residence(s) for tax purposes of the account holder(s)/controlling person(s) nor a reasonable explanation and documentation supporting the validity of the original self-certification (as set out above) they should report for CRS purposes that the account does **not** have a valid self-certification. This reflects the status of validity of the self-certification at the time of reporting.

Example
No Valid Self-Certification (Change in Circumstances): A Reporting NZFI obtains a self-certification on account opening from George that he is tax-resident in New Zealand. Three years after account opening, George rings the Reporting NZFI to add a foreign mailing address to the account. This is a change in circumstances that calls into question George's original self-certification. The Reporting NZFI would need to re-determine the status of the account by obtaining a valid self-certification for George.

If the Reporting NZFI is not able to obtain a valid self-certification from George that establishes his residence for tax purposes nor a reasonable explanation and documentation supporting the validity of the original self-certification the account is reportable. This is because, in such circumstances, the Reporting NZFI must treat the account holder as resident of the jurisdiction in which the account holder (i.e. George) claimed to be resident in the original self-certification and the jurisdiction in which the account holder may be resident as a result of the change in circumstances.[295]

The Reporting NZFI should report for CRS purposes that the account does **not** have a valid self-certification, reflecting the status of validity of the self-certification at the time of reporting.

Equity Interests – Reporting of Roles

3.19 A Reporting NZFI investment entity that is a legal arrangement and maintains an equity interest account held by a reportable person will be required to report on the role(s) (for example, for a trust – the settlor, trustee, protector, beneficiary, other natural person) by virtue of which the reportable person is an equity interest holder (s I(A)(6bis) of the CRS). However, this is subject to the following transitional reporting arrangement.

[295] See p 60 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Transitional Reporting Arrangement for "roles"

3.20 With respect to each reportable account that is maintained by a Reporting NZFI before the CRS amendments of 1 April 2026 and for reporting periods ending by the second reporting period following such date, information with respect to the role(s) by virtue of which each reportable person is an equity interest holder is only required to be reported **if** such information is available in the electronically searchable data maintained by the Reporting NZFI (s X(B) of the CRS).[297]

Example 1
Equity Interest Account - Reporting of Roles: On 31 March 2026 Reporting NZFI investment entity trust maintains an equity interest account that they have identified as being held by a reportable person (Sam). Therefore, the account is a Reportable Account. The Reporting NZFI maintains electronically searchable data under which it can determine that Sam is both a beneficiary and a settlor of the trust. The Reporting NZFI is required to report Sam's roles (i.e. beneficiary and settlor) as part of its CRS reporting for the account.

Example 2
Equity Interest Account - Reporting of Roles: The facts are the same as example 1 except that the Reporting NZFI does not maintain electronically searchable data under which it can determine Sam's roles in relation to the trust. The Reporting NZFI would not be required to report these roles in the transitional period (referred to above), but would need to ensure that it obtains sufficient information to be able to report these roles in subsequent periods as part of its CRS reporting for the account.

Controlling Persons – Reporting of Roles

3.21 A Reporting NZFI that maintains an account that is held by a passive NFE and where they have identified that the account has a controlling person(s) that is a reportable person(s) will be required to report on the role(s) by virtue of which the reportable person is a controlling person (s I(A)(1)(b) of the CRS). However, this is subject to the transitional reporting arrangement set out further below.

3.23 The requirements to identify controlling persons, as well as their roles with respect to the passive NFE, are governed by AML/KYC procedures, as set out below.

3.24 Where a reportable person is a controlling person by virtue of more than one role in respect of a passive NFE **other than** a trust or a similar legal arrangement, the Reporting NZFI must report according to the hierarchy of roles indicated in [133] of the CRS commentary to s VIII of the CRS (i.e. ownership interests, control through other means, senior managing official), provided the identification of the role is required by AML/KYC procedures.[298]

3.25 Where a reportable person is a controlling person of a trust or a similar legal arrangement by virtue of more than one role (for example, for a trust – the settlor, trustee, protector, beneficiary, other natural person), the Reporting NZFI must report each role, provided the identification of the roles is required by AML/KYC procedures. This requirement also applies with respect to the identification of the roles of equity interest holders of a trust or a similar legal arrangement (referred to above).[299]

[297] See p 126 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[298] See p 34 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[299] See p 34 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

Transitional Reporting Arrangement for "roles"

3.26 With respect to each reportable account that is maintained by a Reporting NZFI before the CRS amendments of 1 April 2026 and for reporting periods ending by the second reporting period following such date, information with respect to the role(s) by virtue of which each reportable person is a controlling person of the passive NFE is only required to be reported **if** such information is available in the electronically searchable data maintained by the Reporting NZFI (s X(B) of the CRS).[300]

Example 1
Controlling Persons – Reporting of Roles: On 31 March 2026 Reporting NZFI maintains an account that they have identified as being held by a passive NFE trust with a controlling person (Tom) that is reportable person that is tax resident in Australia. Therefore, the account is a Reportable Account. The Reporting NZFI maintains electronically searchable data under which it can determine that Tom is both a beneficiary and a settlor of the trust. The Reporting NZFI is required to report Tom's roles (i.e. beneficiary and settlor) as part of its CRS reporting for the account.

Example 2
Controlling Persons – Reporting of Roles: The facts are the same as example 1 except that the Reporting NZFI does **not** maintain electronically searchable data under which it can determine the roles of the reportable person (i.e. Tom – the controlling person that is a reportable person). The Reporting NZFI would not be required to report these roles in the transitional period referred to above, but will need to ensure that it obtains sufficient information to be able to report these roles in subsequent periods as part of its CRS reporting for the account.

CRS Reporting Schema – Reporting of "roles"

3.27 The reader should refer to the CRS reporting schema at oecd.org/en/publications/amended-common-reporting-standard-xml-schema_dd7ee57a-en for further detail about how such "roles" (i.e. roles of controlling persons and equity interest holders[301] that are reportable persons) should be reported for CRS purposes. This will assist Reporting NZFIs with understanding how to structure and store such data for reporting purposes. Reporting NZFIs will also be required to keep records (as part of their broader record keeping obligations) evidencing the roles that they have reported for such reportable persons.

Joint Accounts

3.28 A Reporting NZFI that maintains a joint account that is a reportable account will also need to report whether the account is a joint account and the number of joint account holders (s I(A)(1)(c) of the CRS).

Type of Account and whether Pre-Existing or New Account

3.29 A Reporting NZFI that maintains a reportable account will also be required to report the type of account (for example, whether an account is a depository account) and whether the account is a preexisting account or a new account (s I(A)(2) of the CRS).

[300] See p 126 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[301] For equity interest accounts this applies to those Reporting NZFIs that are investment entity legal arrangements.

Reporting under the Crypto-asset Reporting Framework (CARF)

3.30 The CRS reporting requirements have also been amended to take into account reporting under the CARF with the purpose of avoiding duplicative reporting. The gross proceeds from the sale or redemption of a financial asset are not required to be reported by the Reporting NZFI for CRS purposes to the extent such gross proceeds are reported by the Reporting NZFI under the CARF (s I(G) of the CRS). However, Reporting NZFIs are able to elect with respect to any clearly identified group of accounts to report such gross proceeds for CRS purposes.

Annex 1 - Definitions

The term **"Specified Electronic Money Product"**[302] means any product that is:

a) a digital representation of a single fiat currency;

b) issued on receipt of funds for the purpose of making payment transactions;

c) represented by a claim on the issuer denominated in the same fiat currency;

d) accepted in payment by a natural or legal person other than the issuer; and

e) by virtue of regulatory requirements to which the issuer is subject, redeemable at any time and at par value for the same fiat currency upon request of the holder of the product.

The following points are relevant to the definition of "Specified Electronic Money Product":[303]

- The product must be a digital representation of a **single** fiat currency. A product will be considered to digitally represent and reflect the value of the fiat currency that it is denominated in. Therefore, a product that reflects the value of multiple currencies or assets is **not** a specified electronic money product.

- The product must be issued on receipt of funds (i.e. a prepaid product) for the purpose of making payment transactions. The act of "issuing" includes the activity of making available pre-paid stored value and means of payment in exchange for funds. Both electronically and magnetically stored products may be "issued", including online payment accounts and physical cards using magnetic stripe technology.

- The product must be accepted by a natural or legal person other than the issuer (i.e. a third party) as a means of payment. Therefore, monetary value stored on specific pre-paid instruments, designed to address precise needs that can be used only in a limited way, because they allow the electronic money holder to purchase goods or services only in the premises of the electronic money issuer or within a limited network of service providers under direct commercial agreement with a professional issuer, or because they can be used only to acquire a limited range of goods or services, are not specified electronic money products.

- The term "Specified Electronic Money Product" does not include a product created for the sole purpose of facilitating the transfer of funds from a customer to another person pursuant to instructions of the customer. However, a product is not created for the sole purpose of facilitating the transfer of funds if, in the ordinary course of business of the transferring entity, either the funds connected with such product are held longer than 60 days after receipt of instructions to facilitate the transfer, or, if no instructions are received, the funds connected with such product are held longer than 60 days after receipt of the funds.

[302] Section VIII(A)(9) of the CRS.
[303] See pp 87-88 of the document titled "Consolidated text of the Common Reporting Standard (2025)."

The term **"Central Bank Digital Currency"**[304] means any digital fiat currency issued by a central bank.

The term **"Fiat Currency"**[305] means the official currency of a jurisdiction, issued by a jurisdiction or by a jurisdiction's designated central bank or monetary authority, as represented by physical banknotes or coins or by money in different digital forms, including bank reserves and central bank digital currencies. The term also includes commercial bank money and electronic money products (including specified electronic money products).

The term "**Crypto-asset"**[306] means a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions.

The term **"Relevant Crypto-asset"**[307] means any crypto-asset that is not a central bank digital currency, a specified electronic money product or any crypto-asset for which the reporting crypto-asset service provider has adequately determined that it cannot be used for payment or investment purposes.

The term **"Exchange Transaction"**[308] means any:

a) exchange between relevant crypto-assets and fiat currencies; and

b) exchange between one or more forms of relevant crypto-assets.

Annex 2 - Amendments to the Non-Reporting FIs and Excluded Accounts

The CRS amendments to the definitions of types of non-reporting financial institutions (Non-Reporting FIs) and excluded accounts are summarised below.

Non-Reporting FIs

Broad Participation Retirement Fund

There has been an amendment to the CRS definition of broad participation retirement fund as referred to in the CRS commentary. Section VIII(B)(5)(a) requires that, in order for a financial institution to be able to qualify as a Non-Reporting Financial Institution under the broad participation retirement fund category, the financial institution needs, amongst other criteria, to ensure that it has no single beneficiary with a right to more than 5% of the fund's assets. In case the fund is compartmentalised into sub-funds that are in practice working as separated pension products, including through the segregation of the assets, risks and income attributed to such sub-funds, the test of whether a single beneficiary has a right to more than 5% of the fund's assets is to be applied at the level of each sub-fund.[309]

Government Entity, International Organisation, or Central Bank

There has been an amendment to the definition of "non-reporting financial institution" that applies to a governmental entity, international organisation or central bank. The exclusion from this definition applies with respect to the activity of maintaining central bank digital currencies for account holders which are **not** financial institutions, governmental entities, international organisations or central banks.[310]

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[304] Section VIII(A)(10) of the CRS.
[305] Section VIII(A)(11) of the CRS.
[306] Section VIII(A)(12) of the CRS.
[307] Section VIII(A)(13) of the CRS.
[308] Section VIII(A)(14) of the CRS.
[309] See p91 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[310] See s VIII(B)(1)(a)(ii) of the CRS.

Qualified Not-For Profit Entity

The CRS amendments allow Participating Jurisdictions to determine that certain qualified not-for profit entities are non-reporting financial institutions, subject to a number of restrictions set out in the CRS commentary.[311] This option will **not** be adopted.

Excluded Accounts

Defined Capital Contribution Accounts

The CRS amendments also introduce a new type of excluded account - capital contribution accounts, the purpose of which is to block funds for a limited period of time for the purposes of the incorporation of a new company or a pending capital increase.[312]

These accounts are now considered excluded accounts, **provided that** adequate safeguards are in place to avoid the misuse of such accounts. This is the case where such transactions are subject to regulation and, as a matter of law, are required to take place via a dedicated bank account, whereby the underlying funds are frozen until the capital contribution has taken place and, in the case of an incorporation, when the company has been legally established and registered in the jurisdiction's commercial register. As soon as the company is legally established and registered, the capital contribution account is then transformed into a regular depository account or the capital amount is transferred to a depository account and the initial capital contribution account is closed. However, if the company is not established, the contributions would be refunded to the subscriber(s). In order to ensure that such accounts are only used for the completion of an imminent capital contribution transaction, such an account is treated as an excluded account only where the use of such accounts is prescribed by law and **for a maximum period of 12 months**.

Low value specified electronic money products

The CRS amendments also introduce a new category of excluded account to take out of scope certain electronic money products that represent a low-risk in light of the limited monetary value stored, namely specified electronic money products whose rolling average 90-day end-of-day account balance or value does not exceed USD 10,000 in any consecutive 90-day period.[313] Reporting NZFIs are able to treat this threshold as being **NZD** 10,000.

[311] See pp 91-92 of the document titled "Consolidated text of the Common Reporting Standard (2025)."
[312] See s VIII(C)(17)(e)(v) of the CRS.
[313] See sVIII(C)(17)(ebis) of the CRS.