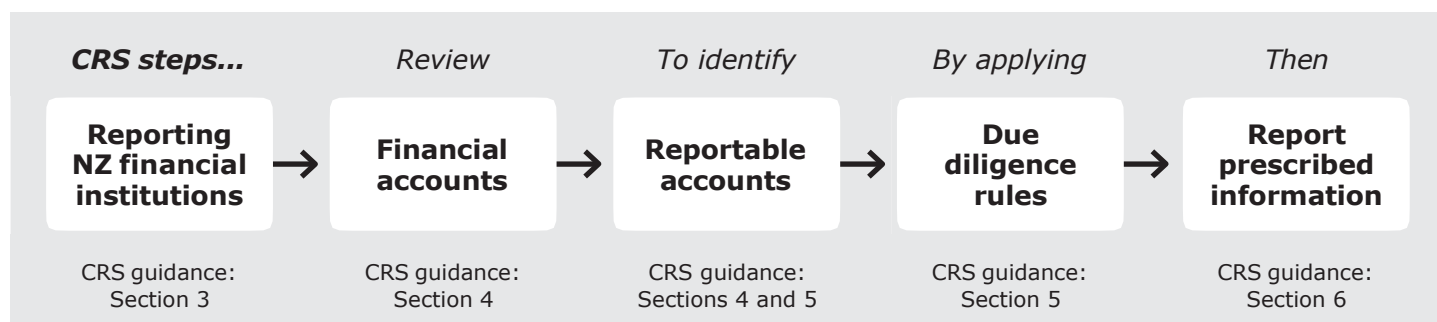


# CRS: Due Diligence & Reporting Obligations



## Reporting New Zealand Financial Institutions (NZFIs) must:

- **conduct due diligence** on their financial accounts to identify:
  - accounts held by relevant foreign tax residents
  - accounts held by a passive non-financial entity and controlled by relevant foreign tax residents (look through rule)
  - undocumented accounts
- **collect prescribed information** about these foreign tax residents and accounts. This generally includes:
  - identity information name, address jurisdiction(s) of residence, foreign taxpayer identification number (s)((TIN(s) or equivalent, and date of birth of the foreign tax resident, and, for reportable accounts, also the role(s)<sup>1</sup> of each reportable person, whether a valid self-certification has been provided for each of the reportable person(s), whether the account is a joint account (and the number of joint account holders), the type of account (for example, whether it is a depository account) and whether the account is a pre-existing or new account.
  - financial account information account balance, and various prescribed types of payments or credits to the account (or with respect to the account); and
- **report this information** annually to Inland Revenue by **30 June** of the relevant year (these reporting obligations are **subject to** the notes on the next page).

**Important:** The reporting of "roles" is subject to a transitional period. The reader should refer to section 6 of Inland Revenue's CRS guidance IR 1048(B) for further detail.

The **due diligence processes** that a Reporting NZFI needs to carry out will depend on:

- when the account was opened
- whether the account is held by an individual and is a:
  - low value account, or
  - high value account (enhanced due diligence procedures apply); or
- whether the account is held by an entity.

<sup>1</sup> This applies to equity interests in Reporting NZFIs (that are investment entity legal arrangements), **and** controlling persons of passive non-financial entity account holders (that are either legal arrangements or legal persons)

Account holder	<u>Pre-existing accounts</u> maintained as at 30 June 17	<u>New accounts</u> opened on or after 1 July 17
<b>Individual</b>	Generally able to rely on information already on file for 'indicators' whether the <b>individual</b> is a relevant foreign tax resident	Generally required to ask the <b>individual</b> account holder to validly 'self-certify' whether they are a relevant foreign tax resident
<b>Entity</b>	Generally able to rely on information already on file for 'indicators' the <b>entity</b> (and, if the entity is a passive non-financial entity, any of its <b>controlling persons</b> ) is/are a relevant foreign tax resident(s)	Generally required to ask the <b>entity</b> account holder to validly ' <b>self-certify</b> ' whether it (and, if the entity is a passive non-financial entity, any of its <b>controlling persons</b> ) is/are a relevant foreign tax resident(s)

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) such accounts will be pre-existing (broadly, those accounts held as of 31 March 2026) or new accounts (broadly, those accounts opened on or after 1 April 2026).

## CRS: Due Diligence & Reporting Obligations - Notes

### Non-reporting financial institutions

- The CRS specifically excludes certain financial institutions from due diligence and reporting obligations (non-reporting financial institutions (NRFIs)). In addition, the Commissioner of Inland Revenue may determine that other financial institutions which meet certain specified criteria (eg a low risk of being used to evade tax and with substantially similar characteristics to any of the specifically excluded NRFIs) are NRFIs.

### Financial accounts

- Financial accounts include depository accounts, annuity accounts, cash value insurance contracts, custodial accounts and equity and debt interest in certain financial institutions.

### Excluded accounts

- Similarly, certain financial accounts are specifically excluded under the CRS from due diligence and reporting obligations (excluded accounts). The Commissioner of Inland Revenue may also determine that certain other financial accounts are excluded accounts if they meet certain criteria (eg a low risk of being used to evade tax and with substantially similar characteristics to any of the specifically excluded account types) are excluded accounts.

### Wider approach to CRS due diligence

- The wider approach to due diligence is mandatory in New Zealand. Under this approach, NZFIs must carry out due diligence on their financial accounts to identify accounts held (and, if the account is held by a passive non-financial entity, controlled) by relevant foreign tax residents and collect prescribed identity and financial account information about such persons (and accounts), **not just persons that are tax residents in jurisdictions that New Zealand has agreed to provide CRS information to (known as "Reportable Jurisdictions")**.

### Undocumented accounts

- If a NZFI is unable to determine the status of a pre-existing individual account, in specified circumstances it will be required to report the account to Inland Revenue as an **"undocumented account"**. Refer to Section 5 of Inland Revenue's CRS guidance for these circumstances.

### Due diligence and reporting dates

- All CRS periods run from 1 April to 31 March of the following year (for example, 1 April 2026 - 31 March 2027).
- NZFIs must report to Inland Revenue by 30 June of the relevant year (for example, reporting by 30 June 2027 for the period ended 31 March 2027) the prescribed information about reportable accounts (and undocumented accounts) they have identified for a period. Refer to Section 6 of Inland Revenue's CRS guidance for the prescribed information.

### **Due diligence and reporting dates for pre-existing accounts**

- The deadline for a NZFI completing CRS due diligence and initial reporting (if the account is reportable) of:
  - pre-existing high value individual accounts (with a balance or value that initially exceeds NZD or USD 1,000,000 as of 30 June 2017) was **30 June 2018**.
  - all other pre-existing accounts (that is, lower value individual accounts and all entity accounts) was **30 June 2019**. (The due date for due diligence for all pre-existing accounts that became financial accounts solely because of the CRS amendments on 1 April 2026 is 31 March 2027 (and with initial reporting by 30 June 2027)).

### **NZFI's reporting obligations**

- NZFIs are generally only required to report to Inland Revenue prescribed information about accounts they have identified as being held (and/or, if the account is held by a passive non-financial entity, controlled) by relevant foreign tax residents **if** such persons are tax residents in Reportable Jurisdictions.
- However NZFIs are able to choose to adopt what is known as the **"wider approach"** to reporting. A NZFI that chooses to adopt the wider approach to reporting would be required to report prescribed information about **all** accounts that they have identified as being held (and/or controlled) by any foreign tax residents, irrespective of whether such persons are tax residents in Reportable Jurisdictions.
- NZFIs that adopt the wider approach reporting option will effectively pass the responsibility for sorting their foreign tax resident information onto Inland Revenue. Inland Revenue will be responsible for determining the information to be provided to Reportable Jurisdictions.

### **CRS record-keeping obligations**

- 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 to comply with their CRS obligations. This includes to keep a record of any **failure to obtain a required self-certification**.
- These record keeping obligations are outlined in detail at Section 8 of Inland Revenue's CRS guidance.

**Disclaimer:** *This information 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.*