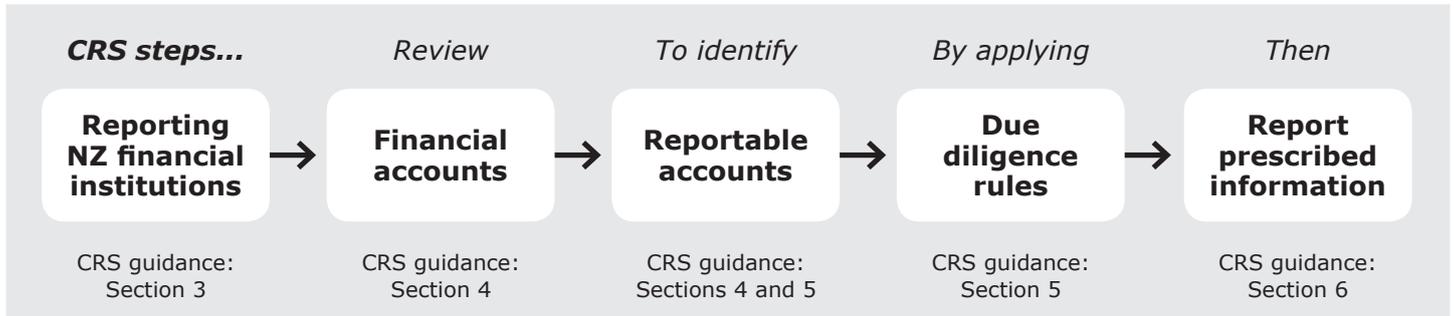


# CRS: Due Diligence & Reporting Obligations



**From 1 July 2017**

## 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, foreign taxpayer identification number(s) (TIN(s)) or equivalent, and date of birth information for the relevant foreign tax resident; and
  - 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).

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.

Account holder	Pre-existing accounts maintained as at 30 June 17	New accounts 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 '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 ' <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)

*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.*

*Refer to Sections 5 and 6 of Inland Revenue's CRS guidance for due diligence and reporting obligations.*

## CRS: Due Diligence & Reporting Obligations - Notes

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### 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

- Due diligence obligations commence on **1 July 2017**.
- The first CRS period is a transitional period running from **1 July 2017-31 March 2018**. All subsequent periods will run from **1 April to 31 March** of the relevant year (eg the second period will run from 1 April 2018-31 March 2019).
- NZFIs must report to Inland Revenue **by 30 June** of the relevant year the prescribed information about reportable accounts (and undocumented accounts) they have identified for a period (eg for the first CRS period ending 31 March 2018, NZFIs should report such information by 30 June 2018). 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) is **30 June 2018**.
  - all other pre-existing accounts (that is, lower value individual accounts and all entity accounts) is **30 June 2019**.

### 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.

*Refer to Sections 5 and 6 of Inland Revenue's CRS guidance for due diligence and reporting obligations.*