

# FATCA and CRS Reporting for Calendar Year 2020 due in June 2021



Foreign Account Tax Compliance Act (FATCA) is a US legislation that requires Financial Institutions (FIs) to report information on financial accounts held by US persons. Similarly, Common Reporting Standard (CRS) is a reporting requirement introduced to collect information on financial accounts in participating countries. CRS intends to safeguard the tax system by bringing transparency and fighting against tax evasion.

Under FATCA and CRS, the reporting UAE FIs must identify US reportable accounts, CRS reportable accounts, and report financial account information to The Ministry of Finance, UAE (MOF) on an annual basis or file a nil return that it does not have any such account. UAE FIs would include banks, custodians, investment traders, asset/wealth managers, funds, and insurance companies.

Obligations of UAE FIs under FATCA and CRS respectively include:

- Complying with the registration requirements with US IRS and UAE MOF
- Performing due diligence on financial accounts
- Reporting all US reportable accounts and CRS reportable accounts annually that it holds and/or maintains or file a nil return
- Reporting any payments made to non-participating FIs on an annual basis
- Monitoring changes in circumstances that may affect the FATCA or CRS status of an account holder

The current deadline for reporting under FATCA CRS for the calendar year 2020 in UAE is 30 June 2021; however MOF portal indicates that it is operational till 22 June 2021. Thus, it is advised that all the stakeholders get done with their compliance before 22 June 2021.

Further, it is important to note that non-compliance with FATCA and CRS regulations may lead to serious penal consequences. Some instances of non-compliance include failure to maintain appropriate documentation with respect to the financial accounts in order to determine reportable accounts, failure to report information with respect to reportable accounts, or inaccurate reporting of reportable accounts, etc. The amount of penalty amount may range from AED 1,000 up to AED 2,50,000 depending upon the type of contravention.

Hence, it is suggested that all the business set up in UAE shall assess the applicability of FATCA and CRS to them and determine their reporting requirements, if any, and comply with the same within the due dates.

We at Nexdigm support our clients with the execution of a seamless reporting process. Our services range from conducting analysis to determining the classification of the entity, identifying the relevant implications, suggesting the way forward based on applicable FATCA/CRS regulations for UAE entities (including DIFC & ADGM) and assisting in carrying out the reporting requirements.



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