

The Common Reporting Standard (CRS) Decree and its implementation in Cyprus

January 2016



Common Reporting Standard (CRS)- The Decree in accordance with the Assessment and Collection of Taxes Law

The Multilateral Competent Authority Agreement for the Automatic Exchange of Financial Information in Tax Matters, which was concluded on 29 October 2014 by the contracting parties of the Global Forum of the Organization for Economic Co-operation and Development (OECD), states the commitment of the contracting parties to the new international standard for the automatic exchange of financial information in tax matters. The Common Reporting Standard (CRS), formally referred to as the Standard for Automatic Exchange of Financial Account Information is implemented at EU level via the Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation, as amended.

Based on the above, and in order to transpose the Standard's requirements into the domestic legislation of Cyprus, a Decree was published on 31st December 2015, in accordance with the provisions of Article 6(16) of the Assessment and Collection of Taxes Law of 1978 to 2015.

As of 1 January 2016 came into effect a decree issued by the Cyprus Ministry of Finance on the application of the OECD Common Reporting Standard ("CRS") and the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information.

The Decree requires Financial Institutions operating in Cyprus to collect financial and other self-reported information of their customers, with a view to creating an information database aiming firstly to determine their customer's respective tax residence and thereafter to be reported to the Cypriot Tax Department and ultimately to be exchanged with other relevant foreign tax authorities.

The Decree sets out the main rules regarding client on-boarding, due diligence and reporting. It further includes a number of clarifications that relate to the entities and products falling within the scope of CRS and sets the applicable deadlines and penalties relating to CRS reporting. The most important provisions of the Decree are described below.

For new customers as from 1 January 2016, the member banks of the Association are required to collect information relating to the country/ies of tax residence and, for non-Cyprus tax residents, relating to the tax identification number (TIN). Without the self-certification with the basic required information, the financial institution is not in a position to open an account.

For pre-existing customers, member banks of the Association may contact the persons affected by CRS, to collect a self-certification form which will determine their residence for tax purposes and provide their tax identification number. Without a self-certification, the financial institutions are obliged to consider the account holder as a reportable person. As a



consequence, financial institutions will report to the Tax Department the information they already have for the undocumented accounts.

The information must be submitted to the Cyprus Tax Department on an annual basis by the 30th June of each year following the end of the calendar year that the information relates to. Subsequently the Cyprus Tax Department will exchange such information with the relevant competent authorities by 30th September of the same year. Therefore, the first exchange of information is expected to take place during 2017 and will relate to financial information for year 2016.

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