



**FATCA and CRS compliance**  
Understanding the requirements

### Foreign Account Tax Compliance Act (FATCA)

FATCA is a U.S. legislation which aims to combat tax evasion by U.S. persons. The intent behind the law is for Foreign Financial Institutions (FFIs), i.e. non-U.S. financial institutions to identify and report any U.S. persons that hold assets abroad to the Internal Revenue Service (IRS).

As of today, a large majority of FFIs in the Middle East region are adhering to the FATCA requirements (either by entering into a FATCA agreement directly with the IRS or by complying with the local Intergovernmental Agreement) due to the potential commercial, reputational and financial risks (e.g. withholding and regulatory penalties) of non-compliance.

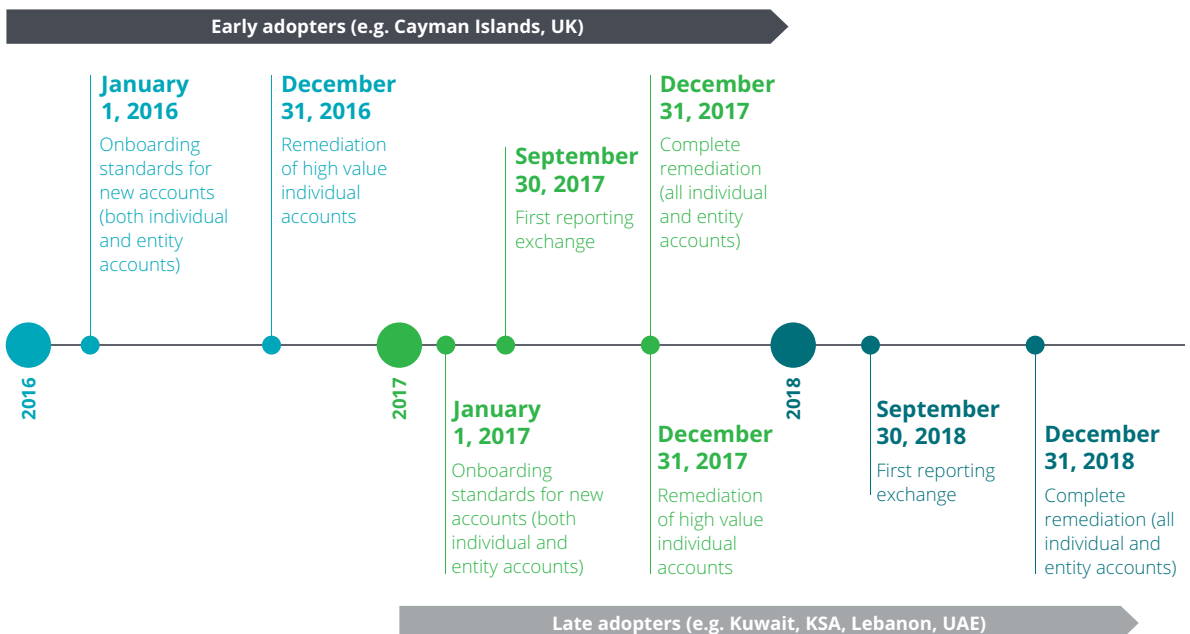
### Common Reporting Standard (CRS)

Following on from FATCA, the Organization for Economic Cooperation and Development (OECD) has formed an initiative for global tax transparency known as the CRS.

The CRS is a broad reporting regime that draws extensively on the intergovernmental approach to the implementation of FATCA.

Similar to FATCA, the CRS requires all financial institutions resident in a participating jurisdiction to identify and report any reportable accounts (typically persons tax resident in a CRS participating jurisdiction). As of January 2017, over 100 jurisdictions have signed or committed to sign the CRS. This includes Bahrain, KSA, Kuwait, Lebanon, Qatar and the UAE in the late adopters group.

### The CRS milestones



### Should Financial Institutions in the Middle East be preparing for CRS?

Based on the recent CRS developments in this region, most specifically in Kuwait, KSA, Lebanon and the UAE, it is very important for Financial Institutions (FIs) to begin preparing for CRS. Although detailed guidance has only been issued by the UAE Ministry of Finance (MoF), the implementation of the CRS regime within the Middle East and wider region is inevitable, given its aim of combatting global tax evasion.

Accordingly, FIs should now be considering the strategic and readiness steps that should be undertaken to ensure that effective processes and procedures are in place that comply with the regulations.

Preparation is key given that implementation and transition to business as usual is generally time-consuming and can cause increased pressure and disruption on resources and business lines. It is also expected that local regulators will introduce penalties for non-compliance, therefore FIs need to be pro-active to avoid unwanted financial burdens.

Given the first CRS milestone of 1 January 2017, FIs at this stage are at a minimum expected to be onboarding customers in line with the regulatory requirements

### FATCA vs. CRS

Key considerations	FATCA	CRS
<b>Registration</b>	IRS registration to obtain Global Intermediary Identification Number (GIIN)	No registration required
<b>Withholding</b>	Withholding required on Non Participating Foreign Financial Institutions (NPFIs) and recalcitrant account holders	Withholding not applicable, however penalties are expected to be introduced for non-compliance
<b>Reportable persons</b>	Based on U.S. citizenship/U.S. residency	Based on residency for tax purposes in a reportable jurisdiction
<b>Thresholds for pre-existing accounts</b>	FI may choose to apply thresholds in order to minimize due diligence	Threshold does not apply for individuals (may apply for entities)
<b>Documentation requirements</b>	Forms W-8/W-9 may be used to capture all required information	Must update and obtain self-certifications to capture the additional required information

Deloitte's approach to FATCA and CRS

FATCA/CRS service offerings

Phase I – Analyzing impact



**Entity classification**

Determining the classification of the entity under the regulations and whether it is subject to the compliance requirements



**Impact assessment and gap analysis**

Analyzing the impact as well as the current gaps within the entity (e.g. products, systems, departments, processes, etc.) that need to be addressed in order to comply with the regulations



**Awareness workshop**

Conducting workshops to increase awareness of the regulations within the organization



**Customer remediation**

Supporting the implementation of due diligence requirements



**Reporting support**

Assistance with the reporting process to the relevant authority/regulator



**Policies and procedures**

Creating policies and procedures in line with the regulations and respective business strategy



**Technical review**

Conducting a full technical review to validate if the organization is following its policies and procedures and properly complying with the regulations



**Technical helpline**

Ongoing assistance in relation to FATCA/CRS queries along with updates on technical developments, deadlines and any regulatory changes



**Customized training**

Customized FATCA/CRS training based on your requirements

Phase II – Implementation assistance and ongoing support

## Contacts



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