

The Era Of Greater Tax Transparency: The Foreign Account Tax Compliance Act ("FATCA") And The Common Reporting Standard ("CRS")

July 2021



WHAT IS NEXT?

Taking stock

It has been a few years since FATCA and CRS took effect in Singapore and wider afield; yet it still remains a significant focus for tax authorities across the world as it encompasses, and arguably underpins, the move towards greater tax transparency at the current forefront of the international tax landscape.

FATCA was introduced by the United States (US) in 2014, shortly followed by CRS by the Organisation for Economic Co-operation and Development (OECD) in 2016. To refresh; FATCA and CRS place obligations on Financial Institutions to perform due diligence on their Account Holders as part of their existing Know Your Client (KYC) requirements to determine their tax residence(s) and report this information to their local tax authorities. This information is then exchanged with the respective other tax authority(s) where the Account Holder is resident. Thus, tax authorities globally can now obtain and manage information with regards to their residents' assets held overseas.

Reflecting back, locally here in Singapore, Financial Institutions have just completed their 7th year of FATCA filings and 4th year of CRS filings at the end of last month.

Thus the question at the forefront of everyone's minds is – *what is next?*

The next focus

On 23 July 2019, the Inland Revenue Authority of Singapore (IRAS) published the first edition of its CRS Compliance Guidelines in its e-Tax Guide to assist Financial Institutions in Singapore to comply with their CRS compliance obligations. As a consequence of this,

IRAS has commenced conducting risk reviews on Financial Institutions' compliance with the requirements and we expect the number of risk reviews to increase as we move into the second half of the year as the shift moves from the FATCA and CRS filings to the compliance reviews.

First and foremost, IRAS have published clear guidelines as to their expectations of the implementation of CRS by a Financial Institution; including IRAS' guiding principles and compliance activities. This gives us an idea of IRAS' approach and expectations when they conduct their audit on Financial Institutions in Singapore in their compliance obligations.

Of key interest, in terms of the risk reviews conducted by IRAS, this can range from a desk-based review where the Financial Institution is required to complete questionnaires and respond to specific queries provided by IRAS, to an on-site review where IRAS will visit the Financial Institution's office premise and conduct a review of its processes and documentation and conducts interviews with the relevant personnel.

With the recently completed FATCA and CRS filings and the expected increased number of IRAS compliance reviews, we are presented with a prime opportunity to take stock and ensure that entities are meeting any required FATCA and CRS obligations. As a starting point, it is important that entities in Singapore, if not already performed, undertake an assessment to identify any Financial Institutions in a structure and ensure that any required FATCA and CRS obligations are met and FATCA and CRS documentation is complete and correct.

FOR MORE INFORMATION

KYLIE LUO

Executive Director
Private Client Services
kylieluo@bdo.com.sg
+65 6828 9123 | +65 9711 3760

WU SOO MEE

Executive Director
Migration Solutions &
Personal Tax Advisory
soomee@bdo.com.sg
+65 6828 9125 | +65 8333 0807

BDO TAX ADVISORY PTE LTD

600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Tel: +65 6828 9118
Fax: +65 6828 9111

www.bdo.com.sg



How can we help?

At BDO, we support our clients by providing a unique one-stop-shop approach. Specifically, our advisers act for a number of Singapore funds, family offices/ fund management companies and trustees and bring a wealth of expertise and experience to meet their needs. In particular, with the set-up of any new structure, it is important that the requirements of FATCA and CRS are considered and assessed to ensure FATCA and CRS compliance.

Our FATCA and CRS advisory services, include but are not limited to:

▶ Initial assessment

- We can perform an initial assessment to identify any Financial Institutions in a structure and highlight the FATCA and CRS compliance obligations that will be required to be met.

▶ Completing ongoing FATCA and CRS compliance obligations

- Following the initial assessment, we can assist to complete any required registrations and prepare and file the annual returns.

▶ Risk reviews

- We can assist to perform a health check in advance of the formal IRAS compliance reviews for trust companies, asset management offices and multiple family offices; including a review of your existing processes and controls and performing a gap analysis as against the IRAS framework to assess any gaps.

▶ Training

- We can conduct FATCA and CRS awareness and technical sessions to ensure teams are well informed of the requirements of FATCA and CRS.

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