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The Common Reporting Standard and its implementation in Cyprus

What is the Common Reporting Standard (CRS)?

The Standard has been initiated by the Organization for Economic Cooperation and Development (OECD) aiming at improving international tax compliance and preventing tax evasion, through the automatic exchange of information between the countries that implement CRS.

CRS has been implemented at the European Union level through the Directive that relates to the mandatory automatic exchange of information in the field of taxation (Directive 2014/107/EU). Relations with countries that are non-EU members are defined through multilateral agreements.

CRS requires the financial institutions that are in countries which implement CRS, to submit information on financial accounts that are held, directly or indirectly, by account holders who are tax residents of countries which implement CRS.

Is the Common Reporting Standard applicable in Cyprus?

The Standard's implementation in Cyprus is based on the following:

1. Cyprus, as a European Union Member State, must implement Directive 2014/107/EU in its national legislation. As a result, the authorized credit institutions and other financial institutions in Cyprus are required to collect information and submit it to the relevant tax authorities (in the case of Cyprus, to the Tax Department) that will in turn forward annually the information on an automatic basis, to the tax authorities of the countries of tax residence of each account holder, provided the account holders are tax residents of countries that implement CRS (excluding Cyprus).
2. In addition, the Republic of Cyprus has co-signed on 29 October 2014, together with other countries / participating jurisdictions, a Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (published in the official Government Gazette on 18 December 2015).
3. A relevant Decree is expected to be issued by the Minister of Finance.

Who is within the scope of the Common Reporting Standard?

The Common Reporting Standard is applied by all authorized credit institutions and other financial institutions who are located in countries that apply CRS. CRS applies to both individuals and entities.

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For the purpose of identifying tax residence, the financial institutions are required to obtain from the direct and indirect account holders, self-certifications which include the country(ies) of tax residence and the tax identification number(s).

What does the Common Reporting Standard mean for the customers of member banks of the Association?

For new customers as from 1 January 2016, the member banks of the Association are required to ask and receive information relating to the country(ies) of tax residence and, for non-Cyprus tax residents, relating to the tax identification number(s). Without the self-certification with the basic required information, the financial institution cannot 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(s) for tax purposes and provide their tax identification number(s). 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.

Subsequently the member banks will submit to the Tax Department the information of account holders who are tax residents of other countries that implement CRS. The tax Department will in turn forward the information to the foreign tax authorities.

The first reporting will occur in 2017 and will cover the year 2016.

Financial institutions will be subject to penalties for failure to comply, as determined by the relevant legislation.

The Association of Cyprus Banks and its members are unable to provide tax advice. If further information is required, please contact your tax advisor. Useful guidance may also be found at the OECD CRS portal: <http://www.oecd.org/tax/automatic-exchange/>