Common Reporting Standard – Guidance and Defined Terms

Guidance

What is the CRS?

The Common Reporting Standard (CRS) is a standardised automatic exchange model established by the Organisation for Economic Co-operation and Development (OECD) which aims to reduce international tax evasion by providing a global standard for the reporting of financial account information of foreign tax residents. The CRS is in effect in numerous countries and came into effect in Australia on 1 July 2017.

What is the aim of the CRS?

CRS requires financial institutions such as IJ Capital to identify customers who appear to be tax resident outside of the country where they hold their products, and to report certain information to the local tax authority who may then share that information with the tax authority where the investor is a tax resident.

Which organisations are doing this?

All financial institutions in Australia and in participating countries are required to be compliant with the CRS. This includes banks, insurers and fund managers such as IJ Capital.

How does IJ Capital comply with CRS?

IJ Capital has put processes in place to establish the tax residency of investors (referred to as 'customers') at the time of application and at other time, such as if we believe your reportable status may have changed. We do this by requiring you to undertake a due diligence process of "self-certification".

What is Self-Certification?

If you invest in financial products issued by IJ Capital, or change your circumstances in some way, then we will ask you to certify a number of details about yourself which assist us to establish your tax residency. This process is called "self-certification" and we are required to collect this information under the CRS. We do this by asking you to complete a form available on our website.

What information are you asking customers to provide and verify?

The information we require is set out on the Self- Certification Declaration Form. In line with the CRS requirements, this includes some personal details such as name, address and place of birth. We may request further information from you as part of the process, for example, in order to verify your identity or for some other evidence of your tax residency declared in your self-certification.

How often will I need to provide this information?

Once we have a valid self-certification on file, you will only be asked to complete another when you update certain information on your account or we believe your reportable status may have changed.

Will my details be kept private?

We will keep your details safe and private, in accordance with our privacy policy, and only provide information to the ATO if legally required to do so.

How is my tax residence defined?

This will depend on where you live and your circumstances. Please contact a professional tax advisor or check the OECD website for more information on how to determine your tax residency, as we are unable to give tax advice.

The information I have been asked for on the forms is similar to the information I have been asked for under FATCA. Why is this different?

Even if you have already provided information under the United States government's Foreign Account Tax Compliance Act (FATCA), you may still need to provide additional information for the CRS as these are different regulations with different requirements.
FATCA is US Law and requires financial institutions to identify US Persons and report in line with local FATCA regulations, based on citizenship. The CRS requires financial institutions to identify the tax residency of customers and in most cases report information on customers who are tax resident outside of the country where they hold their accounts.

Where can I fund further information and advice?

For further information on your tax residency, please refer to the OECD's information on rules governing tax residence, and the ATO's Foreign tax resident reporting. You can also find out more at the OECD Automatic Exchange of Information portal.

Defined terms

Account Holder

The term "Account Holder" means the person listed or identified as the holder of a Financial Account. A person, other than a Financial Institution, holding a Financial Account for the benefit of another person as an agent, a custodian, a nominee, a signatory, an investment advisor, an intermediary, or as a legal guardian, is not treated as the Account Holder. In these circumstances that other person is the Account Holder. For example in the case of a parent/child relationship where the parent is acting as a legal guardian, the child is regarded as the Account Holder. With respect to a jointly held account, each joint holder is treated as an Account Holder.
An NFE is an Active NFE if it meets any of the criteria listed below. In summary, those criteria refer to:
active NFEs by reason of income and assets;
publicly traded NFEs;
Governmental Entities, International Organisations, Central Banks, or their wholly owned Entities;
holding NFEs that are members of a nonfinancial group;
start-up NFEs;
NFEs that are liquidating or emerging from bankruptcy;
treasury centres that are members of a nonfinancial group; or
non-profit NFEs.

Active NFE

An entity will be classified as Active NFE if it meets any of the following criteria:
less than 50% of the NFE's gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50% of the assets held by the NFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income;
the stock of the NFE is regularly traded on an established securities market or the NFE is a Related Entity of an Entity the stock of which is regularly traded on an established securities market;
the NFE is a Governmental Entity, an International Organisation, a Central Bank, or an Entity wholly owned by one or more of the foregoing;
substantially all of the activities of the NFE consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a Financial Institution, except that an Entity does not qualify for this status if the Entity functions (or holds itself out) as an investment fund, such as a private equity fund, venture capital fund,

	leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;
Control	"Control" over an Entity is generally exercised by the natural person(s) who ultimately has a controlling ownership interest (typically on the basis of a certain percentage (e.g. 25%)) in the Entity. Where no natural person(s) exercises control through ownership interests, the Controlling Person(s) of the Entity will be the natural person(s) who exercises control of the Entity through other means. Where no natural person(s) is/are identified as exercising control of the Entity through ownership interests, then under the CRS the Reportable Person is deemed to be the natural person who hold the position of seniormanaging official.
Controlling Person	This is a natural person who exercises control over an entity. Where that entity is treated as a Passive Non-Financial Entity ("NFE") then a Financial Institution must determine whether such Controlling Persons are Reportable Persons. This definition corresponds to the term "beneficial owner" as described in Recommendation 10 and the Interpretative Note on Recommendation 10 of the Financial Action Task Force Recommendations (as adopted in February 2012). Controlling Persons of a trust, means the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust (including through a chain of control or ownership). The settlor(s), the trustee(s), the protector(s) (if any), and the beneficiary(ies) or class(es) of beneficiaries, must always be treated as Controlling Persons of a trust, regardless of whether or not any of them exercises control over the activities of the trust. Where the settlor(s) of a trust is an Entity then the CRS requires Financial Institutions to also identify the Controlling Persons of the settlor(s) and when required report them as Controlling Persons of the trust. In the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions.
Custodial Institution	The term "Custodial Institution" means any Entity that holds, as a substantial portion of its business, Financial Assets for the account of others. This is where the Entity's gross income attributable to the holding of Financial Assets and related financial services equals or exceeds 20% of the Entity's gross income during the shorter of: (i) the three-year period that ends on 31 December (or the final day of a non-calendar year accounting period) prior to the year in which the determination is being made; or (ii) the period during which the Entity has been in existence.
Depository Institution	The term "Depository Institution" means any Entity that accepts deposits in the ordinary course of a banking or similar business.
Entity	The term "Entity" means a legal person or a legal arrangement, such as a corporation, organisation, partnership, trust or foundation. This term covers any person other than an individual (i.e. a natural person).
FATCA	FATCA stands for the U.S. provisions commonly known as the Foreign Account Tax Compliance Act, which were enacted into U.S. law as part of the Hiring Incentives to Restore Employment (HIRE) Act on March 18, 2010. FATCA creates a new information reporting and withholding regime for payments made to certain non-U.S. financial institutions and other non-U.S. entities.

Financial Account

A Financial Account is an account maintained by a Financial Institution and includes: Depository Accounts; Custodial Accounts; Equity and debt interest in certain Investment Entities; Cash Value Insurance Contracts; and Annuity Contracts.

Financial Institution

The term “Financial Institution” means a “Custodial Institution”, a “Depository Institution”, an “Investment Entity”, or a “Specified Insurance Company”. Please see the relevant domestic guidance and the CRS for further classification definitions that apply to Financial Institutions.