



## CRS guidance released

### Snapshot

Just in time for your holiday reading, Inland Revenue has released its **draft guidance** on how Automatic Exchange of Information under the Common Reporting Standard (“AEOI” and “CRS”, respectively) will operate in NZ.

The aim is to provide practical guidance to New Zealand Financial Institutions (“NZFIs”), and others, on how the CRS is intended to apply from 1 July 2017.

The draft guidance is based on the reported-back **Taxation (Business Taxation, Exchange of Information and Remedial Matters) Bill**. That Bill has not yet been enacted. The draft has been issued to give advance guidance, although it is subject to the terms of the final legislation.

Feedback on the draft guidance is sought by [28 February 2017](#).

### What does the Inland Revenue guidance cover?

The almost 200 page draft guidance contains information on:

- When an entity will be a NZFI;
- When a NZFI will be reporting / non-reporting FI;

### ❄ SEASONS GREETINGS ❄

Taxmail would like to wish our readers a happy and safe Christmas and New Year

We will return in 2017 for what promises to be another busy year, with more Bills, BEPS, Business Transformation and a General Election

### Contact us

**John Cantin**  
Partner  
T: +64 4 816 4518  
E: [jfcantin@kpmg.co.nz](mailto:jfcantin@kpmg.co.nz)

**Darshana Elwela**  
National Tax Director  
T: +64 9 367 5940  
E: [delwela@kpmg.co.nz](mailto:delwela@kpmg.co.nz)

- The types of “financial accounts” subject to CRS due diligence;
- The CRS due diligence process for new and pre-existing financial accounts;
- The CRS data that needs to be reported (the format for reporting is alluded to but not yet included in the draft);
- Record keeping and sanctions for NZFIs and their investors; and
- The application of the CRS to particular types of entities, such as trusts, partnerships, collective investment vehicles and estates.

The guidance document includes a number of examples.

### Will this affect me?

In a nutshell, everyone will be impacted by AEOI and the CRS, as either:

#### Financial Institutions (and entities that may qualify as “NZFIs”)

An FI under the CRS includes deposit-taking institutions (such as banks), those offering investment custodial services for a fee, and externally managed investment vehicles. However, the definition is deliberately broad. It may capture some entities that would not traditionally be thought of as FIs. Do not simply assume there will be no CRS consequences. The guidance, the Bill and the CRS itself need to be reviewed to see how your entity will be affected.

#### Investors

If you are not an FI, the draft guidance is still relevant to your obligations as an account holder or investor in a NZFI. Sanctions will apply for not complying. AEOI is likely to impose additional disclosure obligations when opening a NZ bank account or making an investment in a NZ fund. This extends to information on ultimate beneficial owners if you are an entity. Will you have this information to hand?

### Our take

The draft guidance was expected to be released earlier this month. The delay is understandable given recent events disrupting Inland Revenue’s operations. The due date for feedback appears to have been extended as a result. This additional time should be taken to undertake a thorough review.

When reviewing the draft guidance, you should consider whether it:

- *Covers the status of your particular entity or structure.* This is likely to be particularly relevant for trusts and non-standard structures, given the broad FI definition under the CRS.
- *Provides workable guidance on how to carry out CRS due diligence, if you are a NZFI.* For example, is the guidance clear on what constitutes “reasonable efforts” to procure information and what should happen practically if a ‘day one’ process for on-boarding investors is not feasible?
- *Contains examples that are sufficiently illustrative and able to be relied upon.*

We strongly encourage you to use the feedback process to communicate any gaps or unanswered questions to Inland Revenue. This will assist in making implementation as smooth as possible.

### Assistance

KPMG is planning to hold workshops on the draft guidance in early 2017. If you are interested in attending, please email us at [FATCA@kpmg.co.nz](mailto:FATCA@kpmg.co.nz).

**Inland Revenue is also seeking feedback by 31 January 2017 on the types of entities and financial accounts that should be automatically excluded from the CRS**

**Further information is available [here](#)**

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