**United Arab Emirates**

**Common Reporting Standard (“CRS”)**

**Frequently Asked Questions (“FAQ”) – June 2025**

*Please refer to these documents for full definitions of text contained within this FAQ. This FAQ is for illustrative purposes only and does not hold the force of law.*

**A. General**

**1. What is the CRS and how is it applied in the UAE?**

The Common Reporting Standard (“CRS”) is the agreed global standard for the automatic exchange of financial account information (“AEOI”). It was developed by the Organisation for Economic Co-operation and Development (“OECD”) in February 2014. The main aim of the CRS is to facilitate tax transparency by allowing CRS participating jurisdictions to automatically exchange information obtained from local Financial Institutions (“FIs”) on an annual basis with exchange partners where reportable persons are resident for tax purposes. Financial Account information can then be used by the receiving tax authorities to help ensure compliance by their taxpayers.

The United Arab Emirates (“UAE”) signed the Convention on Mutual Administrative Assistance in Tax Matters (“MAC”), the Declaration of Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (“MCAA”) and the Unilateral Declaration in April 2017. Both the MAC and MCAA form the legal basis for the implementation of The Standard for Automatic Exchange of Financial Account Information (“AEOI”) in Tax Matters, Second Edition (“OECD Standard”) in the UAE. The MAC was ratified according to Federal Law No. 54 of 2018 and the MCAA according to Federal Law No. 48 of 2018. Cabinet Resolution No. 93 of 2021 contains certain implementing provisions of the Multilateral Administrative Agreement for Automatic Exchange of Information. The UAE has also published Guidance Notes for the Common Reporting Standard (CRS) United Arab Emirates.

UAE Reporting Financial Institutions (“UAE RFIs”) are subject to the requirements of the CRS and are required to report Reportable Persons (as defined under the respective legislation) on an annual basis, or file nil returns.

**2. Who is impacted by CRS?**

Under the CRS, UAE RFIs are required to identify Financial Accounts that are held by an Account Holder that is a Reportable Person or by a Passive Non-Financial Entity (“NFE”) with one or more Controlling Persons who are Reportable Persons, and report certain financial account information on an annual basis to the UAE Ministry of Finance. See Q3 below.

**3. Who are the UAE Regulatory Authorities under the CRS?**

The following authorities are appointed as the Regulatory Authorities for the purposes of implementing the provisions of The Multilateral Administrative Agreement for Automatic Exchange of Information ratified by Federal Decree No. 48 of 2018, and the CRS:

1. Central Bank of the United Arab Emirates in respect of an FI subject to its supervision under applicable laws and regulations of the Central Bank;
2. Securities & Commodities Authority in respect of an FI subject to its supervision under applicable laws and regulations of the Securities & Commodities Authority;
3. Financial Free Zone Authority appointed by the relevant Financial Free Zone as a Regulatory Authority in respect of a Financial Institution registered in the relevant Financial Free Zone; and
4. Ministry of Finance in respect of any FI not otherwise regulated by any of the aforementioned Regulatory Authorities.

**4. What types of entities are FIs under the CRS?**

FIs for the purposes of CRS are broadly defined as:

1. Custodial Institutions.
2. Depository Institutions.
3. Investment Entities.
4. Specified Insurance Companies.

These include banks, custodians, investment traders, asset/wealth managers, funds and life insurance companies but are not limited to these types of entities.

**5. What is a UAE RFI?**

An UAE RFI means any FI that is not a Non-Reporting FI.

**6. What is a Non-Reporting Financial Institution?**

Non-Reporting FIs for the purposes of CRS are broadly defined as:

1. a Governmental Entity, International Organization or Central Bank, other than with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a Specified Insurance Company, Custodial Institution, or Depository Institution;
2. a Broad Participation Retirement Fund; a Narrow Participation Retirement Fund; a Pension Fund of a Governmental Entity, International Organization or Central Bank; or a Qualified Credit Card Issuer;
3. any other Entity that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the Entities described in a) and (b) above;
4. an Exempt Collective Investment Vehicle; and
5. a trust to the extent that the trustee of the trust is a Reporting FI and reports all information required to be reported pursuant to Section I with respect to all Reportable Accounts of the trust.

The above is subject to change.

**7. What is a Non-Financial Entity (“NFE”)?**

An NFE is any Entity which is not an FI. An NFE can be classified as either an Active or Passive NFE. Any NFE that does not meet the criteria to be an Active NFE will be a Passive NFE.

**8. Who is a Controlling Person?**

The definition of a Controlling Person for CRS purposes is driven by the Financial Action Tax Force (“FATF”) Recommendations[[1]](#footnote-2). The general rule is that the natural person(s) controlling more than 25% (directly or indirectly) of the entity will be the Controlling Person(s). Where there are no such persons, the Controlling Person(s) will be the natural person(s) who exercise control of the Entity through other means. This could be the board of directors of the company or one or more individuals who have a substantial influence over the company’s affairs. If persons exercising control by other means cannot be identified, then the Controlling Person(s) will be the natural person(s) who holds the position of a senior managing official.

In the case of a trust, the Controlling Person(s) means the settlor(s), the trustee(s), the protector(s), the beneficiary(ies) or class(es) of beneficiaries and any other natural person(s) exercising ultimate effective control over the trust.

In the case of a legal arrangement other than a trust, the term Controlling Persons means persons in equivalent or similar positions as those that are Controlling Persons of a trust.

*1 https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-Beneficial-Ownership-Legal-Persons.pdf.coredownload.pdf*

**9. What are participating jurisdictions?**

The list of participating jurisdictions, which may be revised from time to time, is published on the UAE MoF CRS website.

The list of participating jurisdictions is important for UAE RFIs when conducting due diligence in respect of accounts held by Passive NFEs. New and pre-existing accounts held by Professionally managed investment entities that are tax resident in non participating jurisdictions are to be treated as a Passive NFE.

UAE RFIs must "look-through" the entity to identify its controlling persons and report each reportable controlling person.

**10. What are reportable jurisdictions?**

A reportable jurisdiction means:

1. For the purposes of applying due diligence procedures on all accounts held by an account holder (or a controlling person in case of a Passive NFE), a jurisdiction other than the US.
2. For the purposes of reporting information on all accounts held by an account holder (or a controlling person in case of a Passive NFE), a jurisdiction other than the US or the UAE.

**11. What are the obligations of a UAE RFIs under CRS?**

UAE RFIs are required to comply with the OECD Standard. Broadly, UAE RFIs must:

1. Register with their UAE Regulatory Authority and/or UAE MoF (in the case of unregulated entities) for CRS purposes;
2. Perform due diligence on all financial accounts that it maintains;
3. Annually report all reportable accounts that it maintains or file a nil return if it does not maintain any reportable accounts;
4. Continuously monitor for changes in circumstances that results in the change of an Account Holder’s CRS status; and
5. Annually report information to the UAE MoF about certain individual accounts that are defined as “*undocumented accounts*”.

Please note this is not an exhaustive list and the OECD Standard and respective domestic CRS regulations must be consulted.

**B. Due Diligence**

**12. How is an individual or entity’s jurisdiction of tax residence determined?**

Tax residence is determined under the domestic tax laws of each jurisdiction. There might be situations where a person or entity qualifies as a tax resident under the tax residence rules of more than one jurisdiction, and therefore is a tax resident in more than one jurisdiction.

For more information about tax residency rules applicable to CRS committed jurisdictions go to the [OECD Automatic Exchange Portal](https://web-archive.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/index.htm).

**13. What does the ‘reasonableness test’ mean in relation to CRS?**

The reasonableness test is part of the due diligence process where UAE RFIs are required to assess the reasonableness of a self-certification received from Account Holders, which establishes his/her tax residence, in connection with the opening of the account, including any documentation collected pursuant to AML/KYC procedures.

Example: A UAE RFI receives a self-certification form regarding the individual Account Holder’s tax residence status. The UAE RFI is required to confirm the reasonableness of the self-certification form against other information in the account opening documentation and any other information it has on the individual. The individual self certifies as a UAE tax resident, but the UAE RFI’s AML/KYC procedures capture a residence address in the UK. Due to inconsistent information (UAE tax residency, UK residence address), the self-certification form fails to meet the reasonableness test. In this case, it is expected that the UAE RFI would obtain either: i) A valid self-certification; or ii) A reasonable explanation and documentation (as appropriate) supporting the reasonableness of the self-certification.

**14. What is a CRS self-certification form and how is it completed?**

A CRS self-certification form establishes where an Account Holder or Controlling Person is resident for tax purposes. The self-certification can be provided in any form but in order for it to be valid, the OECD Standard sets out that it must be signed (or otherwise positively affirmed, i.e. involving some level of active input or confirmation) by the Account Holder, be dated, and must include the Account Holder’s: name; residence address; jurisdiction(s) of residence for tax purposes; TIN(s) and date of birth.

**15. What is the process for obtaining a valid self-certification and/or validating such self-certification for new Account Holders?**

With respect to New Individual and Entity Accounts, the OECD Standard provides that UAE RFIs must obtain and validate self-certifications upon account opening.

In accordance with the OECD CRS FAQs, where a self-certification is obtained at account opening but validation of the self-certification cannot be completed because it is a ‘day two’ process undertaken by a back-office function, the self-certification should be validated within a period of 90 days (this only applies where UAE RFIs have implemented a day two process). There are a limited number of instances, where due to the specificities of a business sector it is not possible to obtain a self-certification on ‘day one’ of the account opening process, for example where an insurance contract has been assigned from one person to another or in the case where an investor acquires shares in an investment trust on the secondary market. In such circumstances, the self-certification should be both obtained and validated as quickly as feasible, and in any case within a period of 90 days.

However, it should be noted that this process could be misused to avoid CRS reporting as illustrated in example below and UAE RFIs must have processes and procedures designed to avoid misuse and circumvention:

Example: Person A opens an account in Bank XYZ in the UAE and provides sufficient information for the bank to open an account on 1 November 2023. However, Bank XYZ needs more information about Person A’s tax residency as a part of performing the reasonableness test and gives Person A 90 days from account opening to provide the information. In the meantime, Person A transfers large sums to the newly opened account in Bank XYZ in the UAE within the 90-day period. Before the 90-day deadline is over, i.e. 31 January 2024, Person A empties and closes the account without submitting the documentation required. At CRS reporting date, i.e. 30 June 2024, Bank XYZ is not able to report information on the account held by Person A since the account was not verified i.e. no tax residency determined as of 31 December 2023. Customer A has been able to use the 90-day window process for bank account shopping and avoid CRS reporting for the year 2023.

**16. What penalties are imposed on UAE RFIs for failure to obtain a valid self-certification and/or validate such self-certification?**

A fine in the amount of Dirhams (1,000) one thousand shall be imposed on any RFI who opens an Account to an Account Holder or Controlling Person (as applicable) without obtaining a valid self-certification and/or failing to validate such self-certification.

**17. What penalties are imposed on Account Holders for the provision of a false self-certification?**

A fine in the amount of Dirhams (20,000) twenty thousand shall be imposed on any Account Holder or Controlling Person, as the case may be, if the self-certification or any supporting documents submitted by such Account Holder or Controlling Person to the RFI contains any inaccurate or incorrect information and the Account Holder or Controlling Persons knows or should have known that the information provided is inaccurate or incorrect.

**18. What would constitute a change in circumstances?**

A change in circumstances includes any change that results in the addition of information relevant to a person's status or otherwise conflicts with such person's status. In addition, a change in circumstance includes any change or addition of information to the Account Holder's account (including the addition, substitution, or other change of an Account Holder) or any change or addition of information to any account associated with such account, if such change or addition of information affects the status of the Account Holder.

Example: Bank XYZ, a UAE RFI, has relied on the residence address test to treat an individual Account Holder, P, as a resident of a reportable jurisdiction, the United Kingdom (“UK”), in 2019. Five years later, in 2024, P communicates to Bank XYZ that he/she has moved to France, which is also a reportable Jurisdiction. Bank XYZ obtains from P a self-certification and new Documentary Evidence confirming that he/she is resident for tax purposes in France. Bank XYZ must treat P as a resident of France. The account of P is reportable in France for the reporting period 2024 onwards, unless there is another change in circumstance.

**C. Reporting**

**19. Is the date of birth required to be reported by a UAE RFI?**

The date of birth must be collected by the completion of a self-certification form and be reported for all reportable accounts. The date of birth is essential to accurately identify the Account Holder, especially when Account Holders have similar names.

**20. Is the place of birth required to be reported by a UAE RFI?**

The place of birth is not required to be reported for all new and pre-existing accounts unless the UAE RFI is otherwise required to obtain under domestic law and/or it is available in the electronically searchable data maintained by the UAE RFI.

**21. Can a UAE RFI report accounts without a TIN?**

The TIN, or TIN equivalent, must be reported for all new accounts, unless it has not been issued by the jurisdiction of tax residence of the Account Holder. For pre-existing accounts, the TIN is reportable if such TIN is in the records maintained by the UAE RFI. Where the TIN is not held in respect of pre-existing accounts, the UAE RFI must use reasonable efforts to obtain it by the end of the second calendar year following the year in which the accounts are identified as reportable accounts. Not all jurisdictions issue a TIN, or functional equivalent, to all individuals or entities. Where a TIN has not been issued to an individual or entity there is an exception from the requirement to report a TIN. See the OECD website for details of TIN formats.

**22. Are UAE RFIs required to submit nil returns?**

If a UAE RFI has carried out its due diligence and identified that it does not maintain any CRS reportable accounts or does not have any reportable accounts, the UAE RFI is required to submit a nil return(s). This must be completed by the UAE RFI by the reporting deadline.

**23. How do UAE RFIs obtain access to the reporting portal?**

UAE RFIs must register on the UAE Ministry of Finance FATCA/CRS filing portal which can be accessed using the link below:

<https://fatcacrs.mof.gov.ae/>

**24. How are joint accounts treated for CRS reporting purposes?**

With respect to a jointly held account, each joint holder is treated as an Account Holder for purposes of determining whether the account is a Reportable Account. Thus, an account is a Reportable Account if any of the Account Holders is a Reportable Person or a Passive NFE with one or more Controlling Persons who are Reportable Persons. When more than one Reportable Person is a joint holder, each Reportable Person is treated as an Account Holder and is attributed the entire balance of the jointly held account, including for purposes of applying the aggregation rules.

Example: Customer A (Non-Reportable Person) shares a joint deposit account with Customer B (Reportable Person). Each customer has a separate deposit account maintained by the same UAE RFI and have the following balances:

• Customer A: $30,000

• Customer B: $40,000

• Joint account between Customer A and Customer B: $25,000

The UAE RFI’s computerized system links the Financial Accounts and allows account balances or values to be aggregated. The balance of the joint account is attributable in full to each of the Account Holders. The aggregate balance for Customer A is $55,000 and for Customer B is $65,000.

The joint account is a CRS Reportable Account and Customer B’s aggregate balance shall be $65,000 for reporting purposes.

**25. How is information exchanged under CRS?**

UAE RFIs must report the details of Reportable Accounts by the stipulated deadline each year (30 June on an annual basis, unless otherwise stated by the UAE competent authority).

Accounts reported to the UAE Ministry of Finance will in turn be exchanged with foreign competent authorities.

**26. When is the reporting due date for the CRS in the UAE**

The CRS reporting deadline for UAE RFIs to report is 30 June of the year following each reporting period, unless otherwise stated by the UAE competent authority

**27. Can a third-party service provider fulfill the CRS due diligence and reporting obligations on behalf of Reporting Financial Institutions?**

The UAE has allowed for UAE RFIs to use third party service providers to fulfill the reporting and due diligence obligations imposed on such UAE RFI (e.g. fund managers on behalf of funds and trustees on behalf of trusts), but these obligations shall remain the responsibility of the UAE RFI. Any failure by a third-party service provider would be regarded as a failure by the UAE RFI.

It is not required that the service provider be within the same jurisdiction as the UAE RFI or obtain approval from their relevant Regulatory Authority to act as a service provider.

**28. What jurisdictions are UAE RFIs required to report information for on a yearly basis?**

Under the CRS, the UAE has opted for the “widest approach” whereby UAE RFIs are required to report information on all accounts held by an Account Holder (or a controlling person in case of a Passive NFE) which is a Reportable Person, who is a resident for tax purposes in a jurisdiction other than the US or the UAE.

Under the CRS, a Reportable Person means any Reportable Jurisdiction Person, other than:

1. corporation the stock of which is regularly traded on one or more established securities markets;
2. any corporation that is a Related Entity of a corporation described in (i);
3. a Governmental Entity;
4. an International Organisation;
5. a Central Bank; or
6. a Financial Institution.

The term “Reportable Jurisdiction Person” means an individual or Entity that is resident in a Reportable Jurisdiction under the tax laws of such jurisdiction, or an estate of a decedent that was a resident of a Reportable Jurisdiction. For this purpose, an Entity such as a partnership, limited liability partnership or similar legal arrangement, which has no residence for tax purposes shall be treated as resident in the jurisdiction in which its place of effective management is situated.

The term “Reportable Jurisdiction” from a UAE perspective means:

1. for the purposes of applying the due diligence procedures described in Section II to VII of the Guidance Notes for the CRS UAE, a jurisdiction other than the United States of America, and
2. for the purposes of applying Section I of the Guidance Notes for the CRS UAE, a jurisdiction other than the United States of America or the United Arab Emirates.

**29. If a UAE RFI is liquidated on 31 March 2024, is the UAE RFI still required to file a CRS return for calendar year 2024 by 30 June 2025?**

A UAE RFI would be required to fulfill its reporting obligations until the date it ceases to be a UAE RFI (e.g. due to liquidation or closure). Therefore, if the entity is a UAE RFI in calendar year 2024 (i.e. at any point between 1 January 2024 - 31 December 2024), it would be required to submit a CRS return for calendar year 2024 by 30 June 2025 (or a nil return, if applicable).

Hence, if the entity was considered a UAE RFI up to the point of liquidation on 31 March 2024 (and therefore a UAE RFI at a point during calendar year 2024), the entity would be required to submit a CRS return for calendar year 2024 by 30 June 2025 (or a nil return, if applicable).

**30. If an entity that is a UAE RFI is liquidated, what are the responsibilities of the UAE RFI to ensure the CRS account is closed?**

It is the UAE RFIs responsibility to notify the relevant regulatory authority that it has been liquidated and ensure that CRS Financial Accounts are closed and subsequently that the UAE RFI is deregistered from the reporting portal.

Unregulated Entities which are UAE RFIs must notify the UAE Ministry of Finance (in its capacity as a regulatory authority for Unregulated Entities) that it has been liquidated and ensure that the CRS Financial Accounts are closed.

A Financial Account is treated as a Reportable Account as of the date it is identified as such pursuant to the due diligence procedures under the CRS legislation. A Reportable Account remains reportable until the date it ceases to be a Reportable Account (e.g. due to the closure of the account). If a Reportable Account is closed due to the liquidation or winding up of the UAE RFI, information with respect to such account remains annually reportable until the date of closure of the Financial Account by the UAE RFI in the framework of the liquidation or the winding-up.

**31. Do Active Non-Financial Entities (“NFEs”) or Passive NFEs have reporting obligations under CRS?**

Entities which are not UAE FIs are considered NFEs for the purposes of CRS. This could be an Active NFE or Passive NFE as defined under the CRS regulations. Active NFEs or Passive NFEs do not have reporting (or nil return) filing obligations under the CRS regulations but may have obligations to disclose their status for the purposes of the CRS.

**32. What is the process for submitting a nil return for CRS purposes?**

If you are a UAE RFI, you must file annual returns (or a nil return, if applicable), to the UAE Ministry of Finance by the stipulated deadline.

**D. Updates from latest FAQs from OECD last updated May 2024.**

**33. Can UAE RFIs solely rely on the fact that an Account Holder is included in the FATCA FFI list to reasonably determine that such an Account Holder is a Financial Institution?**

Although UAE RFIs can use publicly available information to “reasonably determine” an entity’s status, inclusion of an Account Holder on the FATCA FFI list alone is not sufficient to confirm that such an Account Holder is a Financial Institution for CRS purposes.

A global intermediary identification number (“GIIN”) issued for FATCA purposes alone is not considered sufficient to determine the Account Holders’ status. UAE RFI must take additional steps to “reasonably determine” the status of an entity Account Holder.

**34. Financial Accounts in the context of Contract for Differences (“CFD”) trading activities**

Does a UAE RFI maintain a Financial Account under section VIII(C)(1) of the CRS because it holds client funds in the context of its business of trading in CFDs with such clients?

Since Custodial Account holds Financial Assets for the benefit of another person and the term Financial Assets does not include money, these accounts do not constitute Custodial Accounts. However, such accounts may be considered Depository Accounts if they are maintained by the Financial Institution in the ordinary course of a banking or similar business.

**E. Other updates to the FAQ since last publication**

**35. What are the penalties or sanctions applicable for non-compliance to CRS?**

Failure to comply with the reporting requirements under CRS can result in severe financial penalties and administrative sanctions for UAE RFIs. Fines or sanctions can be in the form of financial penalties or suspension or withdrawal or non-renewal of the license issued to such institution. More information on penalties and sanctions can be found in Article 5 of the [Cabinet Resolution No. 93 of 2021](https://mof.gov.ae/wp-content/uploads/2023/05/Cabinet-Resolution-No.93-of-2021-Implementing-Certain-Provisions-of-the-Multilateral-Administrative-Agreement-for-Automatic-Exchange-of-Information.pdf).

**36. In the case where an Account Holder has stated in his/her self-certification that he/she has no tax residency, what are the due diligence requirements expected of the UAE RFI maintaining the account?**

A self-certification without any indication of the Account Holder’s tax residency will not meet the requirements of a “valid self-certification”. Hence, a UAE RFI is not considered to have obtained a “valid self-certification” in relation to the opening of a New Account if the Account Holder states in his/her self-certification that he/she has no tax residency.

In such cases, the UAE RFI should confirm the reasonableness of the self-certification by requesting for a reasonable explanation and appropriate documentary evidence, and take the steps outlined in the question below.

**37. What should the UAE RFI do if it is unable to obtain (i) a new and valid self-certification in the scenario described in the previous question, or (ii) a reasonable explanation and documentation from the Account Holder after 90 days to support the reasonableness of a self-certification?**

The UAE RFI is not required to close the account, but will have to report the Account Holder based on the residence status provided in the original self-certification and any other jurisdiction(s) in which the UAE RFI has indications that the Account Holder is resident in.

UAE RFIs are expected to continue to use reasonable efforts to obtain a valid self-certification from the Account Holder. Such efforts must be made at least once a year until (i) a new and valid self-certification or (ii) a reasonable explanation and documentation is obtained.

UAE MoF may review such accounts as part of our compliance review procedures on UAE RFIs to ensure effective implementation of CRS requirements.

**38. How should listed corporations be classified under the CRS?**

According to the CRS, Section VIII (D)(2)(a) provides that *“a corporation the stock of which is regularly traded on one or more established securities markets*” is not a Reportable Person. At the core of the exemption is the requirement that the stock of the company must be both regularly traded and listed on an established securities market.

The risk of misclassification exists since it can be difficult to determine whether all conditions are met i.e. regularly traded and established securities markets. This may be particularly the case, for example, where the stock is listed on a smaller securities market and therefore may be incorrectly considered a listed company and therefore treated as not a Reportable Person, resulting in no reporting on the account taking place.

A UAE RFI should assess whether the entity is listed on an “established securities market” (i.e. an exchange officially recognised and supervised by a governmental authority in the jurisdiction where the market is located) and whether there is a meaningful volume of trading with respect to the stock on an on-going basis, before accepting the classification as not a Reportable Person.

**39. What are the conditions to be classified as an Active NFE under the income and assets tests.**

Under the CRS, UAE RFIs must identify whether their Account Holders are FIs or NFEs (i.e. Active NFEs or Passive NFEs).

With regard to the classification of Active NFEs based on income and assets, according to Section VIII, subparagraph D(9)(a) of the OECD Standard requires that both the:

(i) “income test” - less than 50% of the gross income is passive income; and

(ii) “assets test” - less than 50% of the assets held are assets that produce or are held for the production of passive income,

be met to qualify an Account Holder as an Active NFE.

There is a potential risk that account holders may not apply both criteria, leading to a misclassification of a Passive NFE as an Active NFE, thereby resulting in incorrect reporting as the account holder’s controlling persons would not be disclosed and reported in accordance with the CRS.

Entities should ensure that both the above tests are being applied before classifying themselves as Active NFEs, and UAE RFI’s must assess whether the classification is reasonable based on the information obtained or maintained by the UAE RFI, along with performing the necessary validity and reasonableness tests as defined in the OECD Standard. Incorrect classification and failure to disclose controlling persons of Passive NFEs may lead to penalties under Resolution 93 of 2021.

**40. What are the consequences for incorrectly self-certifying as an FI?**

An entity may incorrectly self-certifying as an FI. This misclassification may be intentional, to avoid disclosure such as Controlling Persons, or unintentional, due to misunderstanding of the classification rules under the AEOI Standard.

Penalties of AED20,000 may be imposed under Article 5 of Cabinet Resolution No. 93 of 2021 on Account Holders or Controlling Persons who provide inaccurate or incorrect information in a self-certification or supporting documentation.

Some of the steps that can help to validate the status of an FI include:

* Checking the GIIN (if FI status claimed under FATCA);
* Cross-check public available information; and
* Assess the nature and business activity of the entity.

These steps are only illustrative and should not be used in isolation.

Where an entity Account Holder self-certifies to a UAE RFI that maintains a Financial Account on its behalf (such as a bank), that it is itself an FI and therefore not a Reportable Person. This results in the UAE RFI not reporting information on the Entity Account Holder, based on the assumption that the Entity would subsequently report the required information itself. This may occur to avoid disclosure of the controlling person(s) (of a Passive NFE) or in order to benefit from simplified due diligence.

An entity can be classified as an FI under the following categories according to Section VIII, subparagraph A(3) of the OECD Standard:

* Depository Institution;
* Custodial Institution;
* Investment Entity; or
* Specified Insurance Company.

If none of the above categories apply, the entity should be classified as an NFE, either Active or Passive.

**41. What are the responsibilities of UAE RFIs in respect of Account Holders with multiple citizenships / residencies?**

A person may possess citizenship in two or more jurisdictions, for example because of a move from one jurisdiction (jurisdiction A) to another (jurisdiction B) without losing citizenship of the former jurisdiction. Many jurisdictions also offer “Citizenship by Investment" (CBI) and "Residence by Investment" (RBI) schemes. These programmes allow individuals to obtain citizenship or residence rights, whether temporary or permanent, based on local investments or other qualifying criteria.

This may allow a person, who has obtained citizenship or residence in jurisdiction X under a CBI or RBI scheme, to self-certify as a tax resident of that jurisdiction and provide credible documentation to that effect, even though they are a tax resident of jurisdiction Y (and not jurisdiction X). As a result, the jurisdiction to which the data is reported to will be incorrect and the data will not be exchanged with the jurisdiction that the Account Holder is a tax resident of (i.e. jurisdiction Y).

According to Section VII(A) of the OECD Standard, a UAE RFI should not rely on self-certification or documentary evidence if the RFI knows or has reason to know that the CRS self-certification form or documentary evidence is incorrect or unreliable.

To the extent that the doubt is related to the fact that the Account Holder or Controlling Person is claiming residence in a jurisdiction offering a CBI/RBI scheme, UAE RFIs must follow the procedures outlined in the “*Guidance Notes for the Common Reporting Standard (CRS) United Arab Emirates*”, referring to Enhanced Due Diligence as defined in that document, and perform procedures, including raising further questions, including:

* Did you obtain residence rights under a CBI/RBI scheme?
* Do you hold residence rights in any other jurisdiction(s)?
* Have you spent more than 90 days in any other jurisdiction(s) during the previous year?
* In which jurisdiction(s) have you filed personal income tax returns during the previous year?

Where, taking into account all the relevant information, the facts and circumstances would lead the UAE RFI to have reason to know that an Account Holder or Controlling Person is claiming tax residency under a CBI/RBI scheme, it should take appropriate measures to ascertain the jurisdictions of tax residence of such persons.

Where it becomes evident to the UAE RFI that the Account Holder may be a tax resident in another jurisdiction, the UAE RFI should require the account holder to submit a valid self-certification declaring the correct jurisdiction(s) of tax residence and other appropriate actions to report the Account Holder to the correct jurisdiction.

**42. How are CRS reporting obligations applied to a trust that is an RFI with trustees in multiple jurisdictions (and therefore the trust which is an RFI may have reporting obligations in multiple jurisdictions)?**

Under the CRS, a trust that is an RFI is considered resident for reporting purposes in each jurisdiction where its trustee is resident. Therefore, where a trust has multiple trustees located in different Participating Jurisdictions, the trust will generally be treated as a RFI in each of those jurisdictions.

According to the OECD CRS Implementation Handbook (Second Edition, 2018, paragraphs 248–250), where a trust is treated as resident in multiple jurisdictions, it may fulfil its reporting obligations in just one Participating Jurisdiction, provided that all required information is reported in accordance with the CRS.

For avoidance of doubt, Trusts that are UAE RFIs must complete reporting to the UAE by the stipulated deadline, unless they can demonstrate that full CRS reporting has been completed in another Participating Jurisdiction in accordance with the CRS.

**43. Reporting of low/no account balance.**

Under the CRS, UAE RFIs must report the balance or value of each account as of 31 December each year.

However, it has been noted that the reporting at the end of the year may reflect an account value which may have been manipulated by the Account Holder. It may be possible that most of the assets have been withdrawn prior to 31 December and only a low account balance or a zero account balance is reported on 31 December. Then the Account Holder restores the balance after 1 January of the following year. Therefore, the amount of the account balance or value in the account as of 31 December does not adequately reflect the typical activity in that account.

For example, Person A maintains an Account with an UAE RFI. Shortly before the end of the calendar year, Person A (temporarily) withdraws most of the assets (or all of them) from the account. This resulted in the account being subsequently reported as low/no account balance by the UAE RFI. Shortly after the year ends, the Account Holder re-deposits the assets back in the account.

UAE RFIs must have policies and procedures in place to assess such activities and to identify holders engaging in these practices. UAE RFIs are expected to apply enhanced scrutiny over accounts that show patterns of large withdrawals near year-end, particularly where balances are consistently low at year end (31 December) but were significantly higher during the same calendar year. Such patterns may indicate an attempt to circumvent CRS reporting and must be monitored by UAE RFIs.

**44. What is the effect of false self-certifications or change in circumstances?**

A false self-certification occurs when an Account Holder provides inaccurate incorrect, incomplete or misleading information on their self-certification form. A change in circumstances includes any change that results in affecting the validity of the existing self-certification form on file.

If the UAE RFI reports incorrect information, it may result in inaccurate or incorrect information being reported to a jurisdiction or information being reported to the wrong jurisdiction. UAE RFIs should ensure that information maintained in their system is accurate and up to date.

Penalties may be imposed under Article 5 of Cabinet Resolution No. 93 of 2021:

* AED1,000 per account to RFI’s that fail to obtain and/or validate a self-certification.
* AED20,000 to Account Holders or Controlling Persons who provide inaccurate or incorrect information in a self-certification.

**45. How should Zero Cash Value Insurance Contract be reported under CRS?**

A Cash Value Insurance Contract is an investment product that has an element of life insurance attached to it. The life insurance element is often small compared to the investment element of the contract. A Cash Value Insurance Contract is an insurance contract where the policyholder is entitled to receive payment on surrender or termination of the contract. An insurance contract will also be a Cash Value Insurance Contract where the policyholder can borrow against the contract, for example by using the contract as collateral for borrowing, the contract being acceptable as collateral because of the associated cash value.

According to definition of "*cash value*" Section VIII Subparagraph C(8) of the CRS, as set out in the OECD Standard, it is the greater of *(i) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan); and (ii) the amount the policyholder can borrow under or with regard to the contract”.* Therefore, the amount that can be borrowed in relation to the contract should be treated as the "cash value" and reported accordingly.

There is a risk that "zero cash value insurance policies" or "irrevocable insurance policies" result in a nil value reported under CRS. Meanwhile the insurers facilitate their policyholders to gain access to the value of the policy's assets via third-party loans. This would be a misinterpretation of the term "cash value" under the AEOI Standard as defined above.

Based on the above, cash value insurance contracts should be reported by the UAE RFI based on the greater of (i) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan); and (ii) the amount the policyholder can borrow under or with regard to the contract.

**46. How should a Cash Value Insurance Contract be reported under the CRS?**

Under the CRS, a Cash Value Insurance Contract (CVIC) is a Financial Account and must be reported by a RFI when held by a Reportable Person. A CVIC is an insurance contract that has a cash value, as described in Sections VIII(C)(1), (5), and (8) of the CRS. It is considered a Financial Account when issued or maintained by a UAE RFI.

The cash value is the greater of (i) the amount the policyholder is entitled to receive upon surrender or termination of the contract, and (ii) the amount the policyholder can borrow under or with regard to the contract. According to Section I(A)(4) of the CRS, the Reporting Financial Institution must report the cash value or surrender value of the account as of the end of each calendar year (or other appropriate reporting period).

In addition to the account balance, UAE RFIs must report the total gross amount paid or credited to the Account Holder during the calendar year (or other reporting period), including redemption payments and any other distributions paid or credited under the contract, in accordance with subparagraph A(7) of Section I of the CRS. If no payments were made during the reporting period, UAE RFIs should report the gross amount as zero.

UAE RFIs must ensure that CVICs are properly identified and reported. Arrangements intended to reduce the reported value, such as third-party loan structures or policies showing nil value despite providing access to funds, must be reviewed and reported accurately in accordance with the CRS.

1. [↑](#footnote-ref-2)