UNITED ARAB EMIRATES
MINISTRY OF FINANCE

Common Reporting Standard ("CRS")

How should the undocumented accounts be treated?

Background to the CRS

The Common Reporting Standard ("CRS") for Automatic Exchange of Information was developed by the Organisation for Economic Co-operation and Development ("OECD") to tackle tax evasion through the exchange of financial account information between jurisdictions, with the aim of identifying financial assets held by taxpayers in offshore jurisdictions.

Under the CRS, Reporting Financial Institutions ("RFIs") are required, among other obligations, to collect and report certain financial information in respect of the financial accounts it maintains to the Competent Authority (as defined by the CRS) on an annual basis. This information is then exchanged between Competent Authorities of CRS partner jurisdictions.

The United Arab Emirates ("UAE") has 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.

Impact of the CRS

UAE Reporting Financial Institutions ("RFIs") are required to apply due diligence procedures and collect documentation from Account Holders (as defined by the CRS) and/or their Controlling Persons (as defined by the CRS) to identify whether a financial account maintained by the RFI is a CRS Reportable Account (as defined by the CRS).

The term "undocumented account" is used to describe a pre-existing individual account (i.e. an account maintained by the RFI as of 31 December 2016) for which only a "hold-mail" or "in-care-of" address in a reportable jurisdiction (any jurisdiction other than the UAE or the US) is captured; no other CRS indicia is identified as part of the electronic indicia search and/or paper record search; and, the RFI is unable to obtain a self-certification form or documentary evidence from the Account Holder (as defined by the CRS) to establish their residence for tax purposes.

An account should only be treated as an undocumented account if the account opening date is before 1 January 2017 and the Account Holder (as defined by the CRS) is identified as an individual.

Since the term undocumented account is exclusively related to pre-existing accounts, it applies to Lower value pre-existing accounts and High-value pre-existing accounts held by individuals.

Lower value pre-existing account

(Pre-existing Individual Account with an aggregate balance or value as of 31 December 2016 that does not exceed USD 1,000,000)

Once a lower value pre-existing account is identified as an undocumented account, the RFI must report the account as undocumented until the account ceases to be an undocumented account due to a change in circumstances. Additionally, if the account becomes a High Value account, the RFI must conduct the procedures set forth below under "High value pre-existing accounts" annually.

The processes undertaken by a RFI to identify the account as undocumented, complete electronic and paper record search and attempts to obtain a self-certification form from the Account Holder must be documented for audit purposes.

High value pre-existing account

(Pre-existing Individual Account with an aggregate balance or value that exceeds USD 1,000,000 as of 31 December 2016, or 31 December of any subsequent year)

The RFI must continue to follow the undocumented account procedures for high value pre-existing individual accounts until the account ceases to be an undocumented account. These procedures include completing a paper record search on an annual basis and continuing efforts to obtain documentary evidence or a valid CRS self-certification form from the Account Holder to establish the Account Holder's residence for tax purposes.

In addition to the electronic and paper record searches, the RFI must perform relationship manager inquiries annually (where applicable) to gather actual knowledge from the relationship manager whether the account is held by a resident for tax purposes in a reportable jurisdiction (any jurisdiction other than the UAE or the US), in accordance with Section III.B.(7) of the CRS.

The processes undertaken by a RFI to identify the account as undocumented, complete electronic and paper record search, relationship manager enquiries and attempts to obtain a self-certification from the Account Holder must be documented for audit purposes.

Record keeping and reporting requirements of undocumented accounts

Where an undocumented account is identified by a RFI, it should be reported as part of the relevant annual reporting cycle.

The following processes undertaken by a RFI to identify the account as an undocumented account must be documented for audit processes:

- electronic and paper record searches
- relationship manager enquiries
- attempts to obtain a self-certification form from the Account Holder

Summary of undocumented accounts

The following table summarizes the review and reporting requirements (as explained above) related to Lower value pre-existing accounts and High-value pre-existing accounts:

Account type	Requirements for classification of an Undocumented Account	How to treat and report once classified as undocumented
Lower value pre-existing account (aggregate balance or value lower than USD 1,000,000 as of 31 December 2016)	– Held by an individual. – Opened prior to 1 January 2017. – Only a "hold-mail" or "in-care-of" address in any jurisdiction other than the UAE or US is identified under an electronic record search. – No other CRS indicia found from a paper record search. – UAE RFI is unable to obtain a self-certification or documentary evidence from the Account Holder/Controlling Person.	RFIs are required to: – Document that the paper and electronic record searches have been conducted, along with the outcomes of such searches. – Report the account annually as an undocumented account. – Monitor for change in circumstances and account balance. – If a lower value account becomes a high value preexisting account in any subsequent calendar year, refer to the below requirements for a high-value pre-existing account.
High value pre-existing account (aggregate balance or value that exceeds USD 1,000,000 as of 31 December 2016, or 31 December of any subsequent year)	– Held by an individual. – Opened prior to 1 January 2017. – Only a "hold-mail" or "in-care-of" address in any jurisdiction other than the UAE or US is identified under an electronic record search. – No other CRS indicia is found from a paper record search. – Relationship Manager inquiry conducted and no other CRS indicia is found. – - UAE RFI is unable to obtain a self-certification or documentary evidence from the Account Holder/Controlling Person.	RFIs are required to: – Conduct annual reviews of paper and electronic records. – Conduct annual Relationship Manager inquiries. – Document that the initial and annual paper and electronic record searches have been conducted, along with the outcomes of such searches. – Document the conduct of Relationship Manager inquiries, along with the outcomes. – Report the account annually as an undocumented account. – Monitor for change in circumstances.

Reporting requirements of undocumented accounts

Where an undocumented account is identified by an UAE RFI, it should be reported as part of the relevant annual reporting cycle.