



# Common Reporting Standard: Domestic reporting system

This paper seeks stakeholder submissions on the proposed domestic reporting system for Australia's implementation of the Common Reporting Standard (CRS) for the automatic exchange of financial account information.

## Background

The CRS is the single global standard for the collection, reporting and exchange of financial account information on non-residents. Under it, a Reporting Financial Institution applies the CRS due diligence rules to identify eligible financial accounts held by residents of other jurisdictions and then reports required information to their local tax authority. This information is then sent to the non-residents' tax authority.

Financial institutions required to report under the CRS include banks and other deposit taking institutions, custodial institutions, investment entities, and specified insurance companies.

In September 2014, the Government announced that the CRS would be implemented in Australia from 1 January 2017 and the first exchange of information would take place in 2018.

In Australia, the financial institutions covered by the CRS would include banks, building societies and credit unions, life insurance companies that offer insurance products that include an investment component, private equity funds, managed funds, exchange traded funds and brokers that hold financial assets for the account of others.

## The CRS domestic reporting system

### Previous consultation

On 19 June 2014 the Treasury released a discussion paper on the CRS, seeking financial institutions' views on compliance costs and other implementation issues. The paper and consultations on it canvassed two possible reporting solutions for financial institutions to report CRS data to the ATO, being either:

- a solution based on a similar approach to FATCA reporting
  - lodgment of files in the CRS XML format through the ATO business portal;
- or*
- a re-developed Annual Investment Income Report (AIIR) incorporating CRS reporting obligations
  - currently the AIIR is provided annually to the ATO using the ATO's Electronic Reporting Specification.

Submissions on that discussion paper and the consultations indicated a preference to report CRS data using a solution based on the FATCA approach. That is, the lodgment of an XML file using the OECD's approved CRS XML schema. Stakeholders indicated this was due to the higher degree of alignment, and that additional investment is expected to be less than using a re-developed AIIR. In addition, it would enable the financial institution CRS implementation teams to leverage the synergies and corporate knowledge from the FATCA implementation, and to potentially re-task those resources to the CRS design and build work. In subsequent discussions industry has affirmed this preference.

## Alignment with the OECD Common Transmission System and CRS XML Schema

The OECD approved format for exchange of CRS data between participating jurisdictions is the CRS XML schema. The CRS XML schema has been designed so that it can also be used for domestic CRS reporting, if implementing jurisdictions so choose.

In addition, the OECD is exploring the possibility of a Common Transmission System (CTS) for secure data exchange, routing and notifications/alerts management between jurisdictions that implement the CRS. It is important to note that apart from the domestic reporting solution, the ATO needs to build systems and processes to manage international inbound data that will arrive using the prescribed international CRS XML format and standards.

## Other reporting solutions

Financial institutions currently report to Government using a number of reporting solutions, including but not limited to XML, ERS, XBRL and via web applications. Each of these offers advantages and disadvantages to different reporters, and financial institutions are invited to respond to this paper with any reporting preferences they may have, and their reasons for this. All feedback received will be assessed against the proposed direction for CRS reporting set out below.

## Related considerations

Together with industry's input to date, the following has also been considered:

1. The current range of related reporting mechanisms already in place, and the desire and potential to reduce costs and duplicated reporting where this is possible.
2. Overall strategic directions that may become viable and be adopted in future, such as the Whole of Government strategy for bulk data transmissions.
3. Whether certain reporting communities have particular characteristics that might be better served by alternative arrangements (such as the use of intermediaries, differentiated software, other reporting requirements, etc.).
4. Australia is to implement the CRS from 1 January 2017 and industry has requested 12 to 18 months lead-time lead time to develop their system solutions. Direction on a report format in the near term will enable the utilization of established FATCA build teams where this is available

5. The transmission channel for CRS will be ebMS3 (AUSKey authenticated), because this option maximizes current industry investment in the whole of government direction on business-to-government data transfer.
6. There is a higher degree of alignment between FATCA and CRS XML, than there is with other reporting options.
7. There is already a need for an ATO CRS XML capable inbound interface, to enable Australia to comply with the OECD prescribed XML schema for CRS data exchanges.
8. The investment by smaller financial institutions for XML reporting may be disproportionate to the size of the financial institution and the number of records being reported. Therefore, the ATO is considering simple file formats, for example lodgment in an Excel file for smaller financial institutions.

## Proposed domestic reporting solutions

For these reasons:

- For bulk data lodgments, the ATO proposes that the OECD CRS schema (CRS XML files) is adopted.
- For simple file formats, it is proposed that a web application is adopted for either direct data entry via ATO Online, or for submission via ATO Online File Transfer.

### Consultation questions

Which reporting solution would financial institutions prefer to use for CRS reporting to the ATO?

Industry comments and feedback are sought by **close of business 31 July 2015** on the proposed domestic reporting system for CRS.