



States of Guernsey Income Tax

Common Reporting Standard and US IGA ("FATCA") Corrections for Reporting Period 2016

Bulletin 2017/7

This Bulletin is issued under the provisions for Regulation 12 of The Income Tax (Approved International Agreements) (Implementation) (Common Reporting Standard) Regulations, 2015, and Regulation 4 of the Income Tax (Approved International Agreements) (Implementation) (United Kingdom and United States of America) Regulations, 2014

Data received from reporting Financial Institutions for the calendar year 2016 both in respect of FATCA and CRS reporting, was transmitted by the Director to the United States of America (in relation to FATCA data) and Reportable Jurisdictions (in relation to CRS data), by the deadline of 30 September 2017. Subsequent to the transmittal of this data, the Director has been in receipt of notifications which have indicated record level errors in need of correction both for FATCA and CRS.

The purpose of this bulletin is to make reporting Financial Institutions aware of the fact that formal Notices may be issued by the Director requiring correction reports for FATCA and/or CRS depending on that already submitted in respect of both sets of regulations.

FATCA

As advised in Bulletin 2016/8, published 23 December 2016, the reporting schema for FATCA was amended to FATCA XML Schema v2.0, replacing the previous FATCA XML Schema v1.1, and from early January 2017, the Information Gateway Online Reporter (IGOR) only accepted reports submitted in this format. A link was included in this bulletin to the US IRS website detailing the specifics of this amended reporting schema and one of the changes detailed in this documentation was the introduction of the FilerCategory element in the schema. Broadly speaking, this new element introduced a category code to be assigned to the financial institution reporting the account.

In the schema, this element has an optional schema requirement, and when developing IGOR, the introduction of any validations matched that of the schema. Subsequent to the introduction of FATCA XML Schema v2.0, the US implemented an additional validation of the FilerCategory element on a record level as part of the IRS International Compliance Management Model (ICMM) system via the International Data Exchange Service (IDES) used for the exchange of FATCA data. The introduction of this was also published by the US IRS as a FATCA FAQ, but after the date from which reporting Financial Institutions could report FATCA 2016 data.

The vast majority of error notifications received from the US IRS relate to instances where the FilerCategory element has not been used, or where this has been used incorrectly.

CRS

Reporting under the CRS follows broadly the same pattern as that of FATCA, in that a report must validate against a schema (CRS XML Schema V 1.0), with validation of this checked by IGOR, before then being transmitted to the relevant Reportable Jurisdiction. Whilst with FATCA, additional file level checks is undertaken by the IRS' ICMM system, for CRS the level of additional record level checks undertaken, if any, is decided by each jurisdiction. The types of record level errors which can be identified and reported as status messages follows the CRS and its own XML schema for reporting, including specific error codes determined by the OECD, but the extent of the additional checks being undertaken by other jurisdictions was unknown until the first reports were submitted and status messages were received from Reportable Jurisdictions.

The Director has received some, but not all of the status messages from the 2016 Reportable Jurisdictions, but it is apparent from what has already been received that many jurisdictions have applied high levels of additional record level checking. Whilst the Director has worked with its exchange partners to successfully resolve some of the additional record checks being required, some corrections will still be required. The Director is in the process of consolidating all status messages from all jurisdictions before formally requiring correction reports where record level errors have been identified.

Summary

Following notifications from both the US IRS and individual CRS Reportable Jurisdictions, the intention is for IGOR to be developed further to include additional validation rules to mitigate future error notifications. In relation to FATCA these additional validations will primarily be in relation to the FilerCategory element in the schema. For the CRS, this will be based upon an identified commonality of record level errors identified from Reportable Jurisdictions, although due to the wider scope of CRS reporting it is likely that there may still be record level errors in future, albeit to a lesser extent.

When these additional developments to IGOR are completed, additional guidance will be provided.

In relation to any record level errors identified by the US IRS or Reportable Jurisdictions for the CRS for 2016 reports, formal Notices will be issued to relevant reporting Financial Institutions requiring corrected reports to be filed, together with detailed instructions on what is required in order to file these. It is anticipated that these will be issued first in relation to FATCA reports, followed by CRS reports once the remaining status messages have been received and consolidated from the 2016 Reportable Jurisdictions.

13 November 2017