

Government of Pakistan
Revenue Division
Federal Board of Revenue

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CIRCULAR

Subject: **Common Reporting Standard Rules- Optional Provisions**

In certain areas, the CRS Rules provide optional approaches allowing jurisdictions to adopt the most suitable option according to their circumstances. The optional provisions are intended to provide greater flexibility for financial institutions in implementation of Common Reporting Standard. This Circular explains various options, for the financial institutions to be adopted for implementation of the CRS Rules notified through SRO No 166(I) /2017 dated 15th March, 2017.

1. **Wider Approach**

The 'wider approach' is intended to enable Reporting Financial Institutions to capture and maintain information on the tax residence of account holders irrespective of whether or not that account holder is a resident in a Reportable jurisdiction for any given reportable period. Foreseeing the possibility of more and more jurisdictions reaching agreement with Pakistan over the period of time, FBR intends to opt for wider approach and accordingly the due diligence rules have been designed to adopt a wider approach to record the territory in which a person is tax resident irrespective of whether that territory is a Reportable Jurisdiction or not during the period of due diligence by the financial institutions. at the time that the CRS Rules come into force.

Adopting the wider approach for the due diligence of reportable accounts will help the financial institution to standardize their processes and makes the due diligence process convenient at the time when a new jurisdiction is added to the list of Reportable Jurisdictions. This will also lower the cost for financial institutions in complying with their obligations as, since wider approach is adopted, financial institutions will only need to revisit the determination of tax residence in those cases where there has been a change of circumstances, instead of conducting the due diligence procedures for the newly added reporting Jurisdictions.

2. Non Reporting Financial Institutions

The reporting financial institutions of Pakistan are required to start the due diligence procedures for identifying the reportable accounts from 1st July, 2017 onwards. However, as the CRS Rules provide certain exceptions to different types of accounts which are excluded from the ambit of the CRS Rules and also prescribe the non-reporting financial institutions, therefore, it is imperative to identify such financial institutions before the due diligence process is initiated.

Reference is drawn towards clauses (i) through (v) of sub-rule (i) of rule 78B which provide different categories of financial institutions which are not required to conduct due diligence or report under the CRS Rules. Sub clause (iii) prescribes that FBR will publish a list of such non-reporting financial institutions on recommendations of the SBP and SECP, as the case may be.

Accordingly, SBP and SECP have been requested to furnish a list of such entities with low risk of being used to evade tax and have substantially similar characteristics to any of entities described in sub clauses (i) and (ii) of clause (i) of rule 78B. The list so received shall be reviewed and published by FBR on its official website.

It may however, be clarified that no such financial institution shall treat itself as non reporting financial institution until it has been notified by FBR. As such, all financial institutions shall continue to adhere to the CRS Rules and carry out the due diligence process until they are notified by FBR as being non reporting financial institutions.

As the OECD has adopted a strict approach towards the domestic lists of non reporting financial institutions of every jurisdiction, therefore, stringent criteria should be adopted by SECP and SBP in determining the status of financial institutions as non reporting financial institutions so that such classification may not frustrate the purposes of the CRS Rules.

3. Due date for Reporting by Financial Institutions to FBR

The due date for reporting of financial information of reportable accounts by the reporting financial institutions of Pakistan to FBR is 31st May each year commencing from 31st May, 2018 onwards. Accordingly, every reporting Financial Institution is responsible to provide complete information on reportable accounts to FBR by the due date, in accordance with the prescribed procedure.

4. Registration of Reporting Financial Institutions with FBR

All the reporting Financial Institutions are required to register with FBR, for transmission of reportable financial accounts information under the CRS Rules. The

