

AEOI Implementation Manual

International Taxes

Federal Board of Revenue



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Abbreviations

AEOI	Automatic Exchange of Information
ATL	Active Taxpayers List
CIR	Commissioner Inland Revenue
CP	Controlling Person(s)
CR	Core Requirements of AEOI effectiveness Review.
CRS	Common Reporting Standard
CRS-Rules	Common Reporting Standard Rules under Chapter XIIA of Income Tax Rules, 2002
DOB	Date of Birth
FBR	Federal Board of Revenue
IRIS	Inland Revenue Information system (Master database of FBR)
MCAA	Multilateral Competent Authority Agreement on Exchange of Financial Accounts Information
NADRA	National Database and Registration Authority
NTN	National Tax Number
OECD	Organization of Economic Cooperation and Development
PIQ	Peer Input Questionnaire
PKR	Pakistani Rupee
PRAL	Pakistan Revenue Automation Limited
RFIs	Reporting Financial Institutions
SECP	Securities and Exchange Commission of Pakistan
TIN	Taxpayer Identification Number
TORs	Terms of References
USD	United States Dollar

Introduction

Federal Board of Revenue (FBR), became the signatory of Multilateral Competent Authority Agreement on Exchange of Financial Accounts Information (MCAA) in 2017 and successfully implemented the framework of Common Reporting Standard (CRS) issued by Organization of Economic Cooperation and Development (OECD) for Automatic Exchange of Information (AEOI). The CRS implementation in signatory countries is periodically reviewed by OECD in the light of Core Requirements (CR) issued to gauge the effectiveness of AEOI implementation framework. The three Core Requirements provided in Terms of References (TORs) of AEOI Review Process are as under:

Core Requirement 1: Jurisdictions should ensure that all Reporting Financial Institutions apply due diligence procedures which are in accordance with the CRS to review the Financial Accounts they maintain, and collect and report the information required by the CRS.

Core Requirement 2: Jurisdictions should exchange information with all Interested Appropriate Partners in accordance with the AEOI Standard, in a timely manner, ensuring it is sorted, prepared, validated and transmitted in accordance with the AEOI Standard.

Core Requirement 3: Jurisdictions should keep the information exchanged confidential and properly safeguarded, and use it in accordance with the exchange agreement under which it was exchanged.

FBR has successfully incorporated the legislative framework in Income Tax Ordinance, 2001 and Income Tax Rules, 2002 as per the requirements of CRS partially satisfying CR-1. Consequently, FBR is deemed complaint by OECD on domestic legislative framework. Moreover, the data protection and safety standards have also been met by FBR and recognized by OECD as in place, thus, fulfilling the CR-3. OECD has provided few recommendations in draft effectiveness report of 2021 to further improve the compliance with CRS in Pakistan. Keeping in view the recommendations, the AEOI Implementation Manual is designed for guidance for International Taxes, FBR and AEOI Zones to standardize and improve their performance, ensure compliance by Reporting Financial Institutions (RFIs) and enable efficient exchange of CRS reciprocal data. All the stakeholders i-e Secretary AEOI, Secretary EOI, PRAL teams and commissionerates AEOI zones shall ensure confidentiality of data. The current implementation manual rest on two pillars:

Pillar A

- **Common Reporting Standard (CRS) Reciprocal Data guidelines**

Pillar B

- **Reporting Financial Institutions (RFIs) Compliance guidelines**

Pillar A: Common Reporting Standard (CRS) Reciprocal Data guidelines

The following steps and procedures are issued for the guidance of International Taxes, FBR, AEOI Zones and PRAL team to streamline the process of exchange of CRS-data and ensuring its efficient utilization to qualify and meet the core requirements of AEOI effectiveness Review.

1. Identification of activated Partner Jurisdictions (For Out-Going and Incoming CRS-Data)

- 1.1. Secretary AEOI to identify activated CRS exchange relationships on annual basis. The activated exchange relationships can be accessed at <https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/>
- 1.2. Both lists to be identified separately from above mentioned link for receiving and transmitting CRS-data. Secretary AEOI would share both lists with PRAL team by 15 September every year.
- 1.3. Secretary AEOI is responsible for filing of notification under section 7(1)f of Multilateral Competent Authority Agreement to Coordinating Body secretariat after seeking approval of Director General International Taxes, when required to update the list of intended exchange partners.

2. Incoming CRS-Data:

- 2.1. Secretary AEOI, FBR to identify number of jurisdictions required to send CRS-data to Pakistan by 15 September every year.
- 2.2. PRAL team under supervision of Secretary AEOI, FBR would identify number of Jurisdictions that have sent CRS-data to Pakistan by 15th October 2021 every year.
- 2.3. PRAL team to make sure that CRS status message (acknowledgement) is conveyed to each Jurisdiction within 15 days of receipt of CRS-data. The jurisdiction wise report be submitted to Secretary (AEOI).
- 2.4. Secretary (AEOI), FBR to follow up with the jurisdictions that did not send CRS data to Pakistan by sending emails to competent authorities of the respective jurisdictions. The email addresses of competent authorities may be retrieved from OECD one Platform; as they are updated by jurisdictions. Secretary AEOI shall use official email (aeoi@fbr.gov.pk) for correspondence with competent authorities.
- 2.5. In case CRS-data is received as a result of follow up or any update is received in CRS-data by any Jurisdiction, then PRAL team shall ensure timely delivery of CRS status message (acknowledgement) and submit report to secretary (AEOI) for the same.
- 2.6. PRAL team to resolve the technical issues like expiry of validation certificates or data packets etc. for seamless receipt of CRS-data
- 2.7. PRAL team to submit report to secretary AEOI for every iteration of incoming new/updated CRS- data on the following format:

Name of Partner Jurisdiction	Number of Financial Accounts Received	Reporting Period	Date of Receiving CRS-data	CRS Status Message Sent (Yes/No)	Date of sending CRS status Message	Automatic Matching rate	Any significant Technical Issues Faced

3. Outgoing CRS-Data

- 3.1. Secretary AEOI to seek approval from competent Authority before transmitting CRS-Data by 15 Sept every year.
- 3.2. Secretary AEOI to ensure that CRS-Data is transmitted to every activated partner as identified in activated partner jurisdiction list by 30th September every year.
- 3.3. In case if no CRS-Data pertains to any activated partner jurisdiction in a year, then secretary AEOI would send email communicating the same to competent authority of the respective jurisdiction.
- 3.4. PRAL team to follow-up on CRS-Data shared with partner jurisdiction whether it is successfully transmitted, downloaded or rejected. In case, if outgoing CRS-Data is rejected then PRAL would coordinate with the technical team of partner jurisdiction and ensure its smooth transmission.
- 3.5. In case no status message is received from Partner Jurisdiction, PRAL team would follow up with the technical team of partner jurisdiction to seek CRS status message from Partner Jurisdiction.
- 3.6. PRAL team to submit report to secretary AEOI for every iteration of outgoing new/updated CRS-Data on the following 2 formats:

Format A:

Name of Partner Jurisdiction	Number of Financial Records sent	Reporting Period	Date of sending CRS data	CRS data (downloaded/ Rejected/ Received)	CRS Status Message (Received/ Awaited)	Date of receiving CRS status message

Format B:

Name of RFI	Number of Financial Records Reported	Reporting Period	Date of filing CRS return	Number of Records, where Ind TIN and CP TIN is reported	Percentage of Records, where Ind TIN and CP TIN is reported	Number of Records, where DOB is reported	Percentage of Records, where DOB is reported

4. CRS-Data Migration & Cleaning

- 4.1. PRAL team to perform data migration to AEOIS data center periodically every year on following timelines
 - 4.1.1. 15th October every year.
 - 4.1.2. 15th December every year.
 - 4.1.3. 15th February every year.
 - 4.1.4. 15th April every year.
 - 4.1.5. Any other date as deem fit by Secretary AEOI.
- 4.2. PRAL team to clean “TIN”, as much as possible, to ensure that errors like mathematical notation/ Alphabetical sequences/ hyphen/excess number of digits in TIN etc are removed.
- 4.3. PRAL team to clean “Account Number”, wherever applicable to ensure that errors like mathematical notation do not exist in reported Account number.
- 4.4. PRAL team to ensure and improve the process of cleaning of data utilizing third party databases to improve the automatic matching rate.
- 4.5. Secretary AEOI would provide currency conversion rates equivalent to USD as on 31st December of the reporting period to which CRS data relates.

5. CRS-Data Matching

- 5.1. PRAL team would perform matching of received CRS data with master database through following criteria:
 - 5.1.1. Individual TIN (Cleaned) + Individual CNIC in master database
 - 5.1.2. Individual TIN (Cleaned) + Individual NTN in master database
 - 5.1.3. Organization TIN (Cleaned) + NTN in master database
 - 5.1.4. Controlling Person TIN of Legal Entities + Individual CNIC in master database
 - 5.1.5. Controlling Person TIN of Legal Entities + Individual NTN in master database

- 5.1.6. CRS data Previous years (Name of RFI, Account Number, Reporting Jurisdiction, Name of Individual/ Organization/ CP) + CRS data current period (Name of RFI, Account Number, Reporting Jurisdiction, Name of Individual/ Organization/ CP)
- 5.1.7. Name and DOB in CRS data + Name and DOB in in master database
- 5.1.8. Data Matching through Third Party databases.

6. Due diligence on Unmatched CRS-Data

- 6.1. Secretary AEOI would perform due diligence on unmatched data using IRIS and third-party information sources on case to case basis.
- 6.2. Secretary AEOI may utilize following third-party information sources for due diligence
 - 6.2.1. National Database and Registration Authority (NADRA)
 - 6.2.2. Securities and Exchange Commission of Pakistan (SECP)
 - 6.2.3. Directorate General of Immigration and Passports.
 - 6.2.4. Any other information source deemed fit
- 6.3. Secretary AEOI may request Secretary EOI to initiate EOIR in respect of cases that remain unmatched even after performing due diligence measures mentioned above. The Secretary EOI shall send EOIRs to foreign Jurisdictions.
- 6.4. Secretary AEOI shall give due diligence priority to cases with significant financial value.
- 6.5. Secretary AEOI to maintain Partner Jurisdiction wise and RFI-wise record of unmatched data for the purpose of providing feedback to Partner Jurisdiction.

7. CRS-Data Dissemination to AEOI Zones.

- 7.1. Secretary AEOI shall ensure that CRS-Data matched through automatic matching shall be assigned to respective AEOI-zones through AEOIS after seeking approval from Director General International Taxes, FBR. PRAL team would assist in batch assignment of matched data through AEOIS to respective AEOI Zones.
- 7.2. The cases matched through due diligence in para 6 of CRS reciprocal data guidelines shall be assigned on case to case basis by secretary AEOI through AEOIS.
- 7.3. The Jurisdiction of the new cases shall be transferred by Secretary- IR Jurisdiction on request of chief, International Taxes, FBR.
- 7.4. Commissioner AEOI Zones shall highlight any anomaly, error and issues with respect to CRS-data assigned.
- 7.5. Commissioner AEOI Zones shall identify issues in completeness and accuracy of assigned CRS-data to be reported in annual Peer Input Questionnaire (PIQ).
- 7.6. Commissioner AEOI Zones shall identify and report in annual Peer Input Questionnaire (PIQ) the financial accounts that should have been reported by Partner Jurisdiction in CRS data exchange but was not reported in any of the exchange.

Pillar B: Reporting Financial Institutions (RFIs) Compliance guidelines

The procedures explained in second pillar of AEOI implementation manual would complement FBR to fulfill the Core Requirement 1 of AEOI effectiveness Review. The CRS rules in Income Tax Rules, 2002, and corresponding provisions in Income Tax Ordinance, 2001 have been conferred upon the AEOI Zones vide Notification F. No.6 (154) Jurisdiction/2017-56206-R dated 11th March, 2022 to execute the SOPs mentioned below:

1. Registration of Financial Institutions:

- 1.1. The Commissioner-IR AEOI Zones in their respective jurisdiction shall identify and verify Financial Institutions for the purpose of registration as required under Common Reporting standard, Chapter XIIA of Income Tax Rules, 2002(CRS Rules). For the purpose of identification, CIR AEOI zones shall seek and access information from SBP, SECP, Trust Authorities, and FATCA foreign institution list of Pakistani Entities etc. CIR AEOI Zones to specially focus on identification of non-regulated Financial Institutions.
- 1.2. The Commissioner AEOI Zones shall categorize Financial Institutions as per CRS Rules and report the same to secretary AEOI, FBR.
- 1.3. The financial institutions identified so shall register on AEOI portal (<https://fbr.gov.pk/automatic-exchange-of-information-portal/21227>) with the assistance of secretary AEOI, FBR and PRAL team. Any financial institution(s) identified by Commissioner-IR AEOI Zones fail to register, shall be compulsory registered under rule 78O of the Income Tax Rules, 2002.
- 1.4. Secretary AEOI shall update and publish Reporting Financial Institutions (RFIs) Register on AEOIS-Compliance portal with following information.

1.4.1. Identification Particulars

- 1.4.1.1. Name of Reporting Financial Institution
- 1.4.1.2. NTN
- 1.4.1.3. Address
- 1.4.1.4. Jurisdiction in IRIS
- 1.4.1.5. CRS Compliance Jurisdiction (AEOI Zones)

1.4.2. Type of Reporting Financial Institution (RFI)

- 1.4.2.1. Depository Institutions/Custodial Institutions/ Specified Insurance Companies/Investment Entities

1.4.3. Status

- 1.4.3.1. Regulated/Non-regulated

- 1.5. Any technical issues faced by RFIs may be communicated to email: aeoi.tech@fbr.gov.pk, aeoi@fbr.gov.pk or contact number: 051-8431122.
- 1.6. PRAL team to incorporate data validation checks in AEOIS system that ensures that the information submitted by RFIs meet the CRS XML schema requirements.

2. Voluntary Compliance Measures:

The implementation of CRS is recent phenomenon for RFIs that needs facilitation by FBR to inculcate voluntary compliance by RFIs. In view of forgoing, following measures may be

undertaken by International taxes, FBR and AEOI zones across Pakistan to promote voluntary compliance:

- 2.1. CIR AEOI Zones shall conduct regular meetings with the representatives of Financial Institutions, such as financial industry associations (e.g. bankers' association, insurance association, trust and company service provider association), to discuss legal and technical issues regarding implementation of the CRS.
- 2.2. International taxes, FBR and AEOI Zones shall provide e-learning modules to provide guidance to Financial Institutions (e.g. introduction to the CRS, criteria to determine Reporting Financial institution status, due diligence requirements etc).
- 2.3. AEOI Zones to arrange Workshops, seminars or webinars which cover practical implementation, including technical requirements, to explain challenging concepts and answer questions from the financial industry to ensure implementation of CRS.
- 2.4. International Taxes, FBR and AEOI Zones shall arrange meetings with financial sector regulators like SBP, SECP, Trust registration authorities etc.; to raise their awareness on their responsibilities in supervising the CRS obligations.
- 2.5. International Taxes, FBR and AEOI Zones shall plan communication and outreach activities timely and periodically in a year to ensure that all Financial Institutions are well informed and have necessary guidance to fulfil their due diligence and reporting obligations before the deadline of 30th May every year for CRS-return filing.
- 2.6. International Taxes, FBR shall provide FAQs section on international taxes webpage to provide guidance to Financial Institutions regarding the CRS implementation.

3. Compliance Audit and Inspections

The CIR AEOI Zones shall conduct compliance Audit and Inspections in respect of Financial Institutions under chapter XIIA of Income Tax Rules, 2002 (CRS Rules) to ensure compliance with Common Reporting Standard after seeking approval of Director General (International Taxes, FBR). The CIR AEOI Zones shall conduct Desk-based audits of the RFIs prior to on-site audit and inspections to fulfill the compliance objectives. The CIR AEOI Zones shall perform compliance audit and inspections of Financial Institutions, inter alia to ensure the following:

- 3.1 Financial Institutions are correctly applying the definitions of Reporting Financial Institutions and Non-Reporting Financial Institutions and report information as per CRS Rules.
- 3.2 Reporting Financial Institutions correctly apply the due diligence rules on each type of account and ensure that they correctly report all information under CRS Rules.
- 3.3 Non-Reporting Financial Institutions and Excluded Accounts are identified and periodically reviewed to ensure that these continue to present a low risk of being used to evade tax.
- 3.4 Reporting Financial Institutions (RFIs) always obtain valid self-certifications at the time of opening of New Accounts.
- 3.5 Reporting Financial Institutions are followed up on when they report undocumented accounts and ensure that they are correctly applying the rules for such accounts.

3.6 Financial Institutions, persons or intermediaries do not circumvent the due diligence and reporting procedures as enunciated in CRS Rules.

4 Risk-based approach

International Taxes, FBR and AEOI Zones shall adopt risk based approach for implementation of objectives of compliance audit and inspections as mentioned in para 3 above to prioritize resources to the areas of greater risk in relation to the effective implementation of the AEOI Standard. The risk assessment shall categorize the high risk, medium risk and low risk RFIs based on the risk parameters. The risk assessment may consider but not limited to the following parameters and information sources in respect of RFIs:

Sr	Description of Risk assessment Parameter	Source	Risk Category
1	Absence of reporting/ Non-filing of annual CRS return	Return Tracking Report CRS, Vizor Software	High Risk
2	Late filing of annual CRS-return	Return Tracking Report CRS, Vizor Software	Low Risk
3	Inquiries or information indicating underreporting or inaccurate reporting from the Competent Authority of Partner Jurisdiction.	Reported by Secretary AEOI	High Risk
4	Reporting of a significant number of undocumented accounts	Local CRS Data View Module	High risk (greater than 60%) Medium Risk (Between 30% & 60%) Low Risk (Below 30%)
5	Reporting of a significant number of account closures	Local CRS Data View Module	High risk (greater than 60%) Medium Risk (Between 30% & 60%) Low Risk (Below 30%)
6	Drastic changes in the volume of reporting between calendar years or other appropriate reporting periods	Local CRS Data View Module	High risk (60% or more reduction in volume) Medium Risk (Between 30% to 60% reduction in volume) Low Risk (Below 30% reduction in volume)
7	Reporting of TINs for significantly fewer accounts in comparison with other Reporting FIs	Local CRS Data View Module	High risk (30% or more below the average TIN reporting of other RFIs) Medium Risk (Between 20% to 30% below the average TIN reporting of other RFIs)

			Low Risk (Up to 20% below the average TIN reporting of other RFIs)
8	Reporting of DOB in individuals accounts for significantly fewer accounts in comparison with other Reporting FIs	Local CRS Data View Module	High risk (30% or more below the average DOB reporting of other RFIs) Medium Risk (Between 20% to 30% below the average DOB reporting of other RFIs) Low Risk (Up to 20% below the average DOB reporting of other RFIs)
9	Filing history of RFI	ATL/Non ATL status	Medium Risk

Based on the Risk Category of the above mentioned parameters, CIR AEOI Zones and International Taxes, FBR may decide to conduct audit and inspection of RFIs in following scenarios:

- 4.1. RFIs falling in the high risk category for any of the parameter during a reporting period.
- 4.2. RFIs falling in the medium risk category for three or more parameters during a reporting period.

5. Penalties and ensuring Compliance.

- 5.1. The CIR AEOI Zone shall levy penalty on the non-complaint Reporting Financial Institutions (RFIs) under relevant serials of section 182 of the Income Tax Ordinance, 2001.
- 5.2. The concerned CIR AEOI Zones shall follow up with penalized RFIs to ensure compliance with CRS rules in future. The RFI involved in consistent non-compliance may also be taken up with financial regulator or other appropriate forum to ensure its compliance. The CIR AEOI Zones may involve the penalized RFIs in voluntary compliance activities undertaken under para 2 of RFIs Compliance guidelines for the purpose of education and training.
- 5.3. In case the potential non-compliance by RFI or any error in transmitted CRS data is detected and reported by the partner jurisdiction, the Secretary AEOI shall communicate and follow up with the competent authority of partner jurisdiction. Secretary AEOI may address the issue by contacting the concerned RFI to clarify the issues and obtain updated or corrected information where necessary, that may be resent to the partner jurisdiction. Secretary AEOI shall ensure a response or update to the partner jurisdiction within 90 days of receipt of the information that conveyed potential non-compliance/error of RFI. Secretary AEOI may also suggest the audit of potential non-complaint RFI to relevant CIR AEOI Zone after seeking approval of Director General International Taxes, FBR.
- 5.4. In case it transpires from incoming CRS-data that incomplete or incorrect information has been reported or a RFI is circumventing due diligence or reporting procedures in the jurisdiction of an exchange partner, Secretary AEOI shall communicate the particulars of

the observations regarding error, contraventions or non-compliance through an encrypted email to the competent authority of partner jurisdiction.

6. Reporting under RFIs Compliance Guidelines

The CIR AEOI Zones shall submit quarterly compliance report under the RFIs Compliance Guidelines on the following format along with the list of RFIs reported in the quarterly compliance report to the Directorate General International taxes:

Description	Number (During the Quarter)	Up to the Quarter	Remarks (If any)
RFIs identified			
RFIs registered			
RFIs Compulsory Registered			
Activities arranged under Voluntary Compliance Measures under para 2 of RFIs Compliance Guidelines			Please provide brief details.
Desk Audit of RFIs			
RFIs selected for Audit			
Reportable Accounts identified for which information was not reported by RFIs			
Reportable Accounts identified for which information was reported incorrectly by RFIs			
Financial Institutions that reported information but were identified as substantially not complying with the requirements of CRS Rules			
Number of accounts identified where valid self-certification should have been obtained but it was not obtained by RFIs			
Penalty Levied on RFIs for non-compliance with CRS rules			
Penalties levied on registered RFIs for non-filing of annual CRS return			
Amount of Penalty Levied in PKR			
Amount of Penalty Recovered in PKR			
Follow up activities undertaken on Penalized RFIs as in para 5.2 of RFI compliance guidelines			Please provide brief details.