

FBR compiles list of 88 states for exchanging tax information

The Federal Board of Revenue (FBR) has compiled a list of 88 countries including Switzerland to ensure reporting by financial institutions to the said participating jurisdictions from July 1, 2017 under global treaties on automatic exchange of information. The FBR Tuesday communicated the said list of 88 countries to the Securities and Exchange Commission of Pakistan (SECP) for compliance.

Sources told *Business Recorder* here on Tuesday that the FBR has written a letter to the SECP on the issue of list of participating jurisdiction in accordance with clause (am) of Rule 78B of Chapter XIIA of the Income Tax Ordinance 2001. According to the communication of FBR to the SECP, Pakistan has signed the Multilateral Competent Authority Agreement (the CRS-MCAA) on 7th June, 2017 and its Annexure-E consists of a list of participating jurisdictions for automatic exchange of information. Under clause (am) of rule 78B of Chapter XIIA of the Income Tax Rules 2002, the reporting financial institutions are required to provide the information as specified in Rule 78C of the said rules to FBR pertaining to the reportable persons of the jurisdictions to be identified in a published list to be made available on FBR web portal. The term participating jurisdictions has been defined in the said rule as under:

"Participating Jurisdictions means a jurisdiction (i) with which an agreement is in place pursuant to which it will provide the information specified in Rule 78C, and (ii) which is identified in a published list to be made available on FBR's web portal." As the financial institutions are required to start their due diligence procedures for reportable financial accounts from 1st July, 2017, therefore it is imperative for FBR to issue the list of participating jurisdictions before the cut-off date. As the CRS rules provide a concept of passive NFE (non- financial entity) which is defined as an entity which is not an active entity and it includes an investment entity which is not a participating jurisdiction financial institution. As a result, reporting financial institutions are required to "look through" for "controlling persons" of such investment entities which are not located in participating jurisdictions. In such cases, the reporting financial institutions will report on the controlling persons who are reportable persons. Therefore, it is important for the financial institutions to have a list of participating jurisdictions published by FBR, so that they can carry on with their required due diligence process and to apply the "look through" treatment in case of investment entities which are non participating jurisdiction financial institutions, the FBR said. In the light of these observations, the FBR has published the list of participating jurisdictions on provisional basis which may be updated as and when required. It is requested that the financial institutions under control of respective organisations may kindly be informed accordingly, the FBR said.

In addition to this, it is pertinent to mention here that certain amendments have been made in 78B of CRS Rules, amending the definitions of "reporting financial institutions" and "participating jurisdiction financial institutions" vide SRO # 452(1)/2017 dated 8th June, 2017. Following is the FBR's provisional list of participating jurisdictions for automatic exchange of information: Albania, Andorra, Anguilla, Antigua And Barbuda, Argentina, Aruba, Australia, Austria, Barbados, Belgium, Belize, Bermuda, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, China, Colombia, Cook Islands, Costa Rica, Croatia, Curacao, Cyprus,

Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Ghana, Gibraltar, Greece, Greenland, Grenada, Guernsey, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Italy, Japan, Jersey, Korea, Kuwait, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Monaco, Montserrat, Nauru, Netherlands, New Zealand, Niue, Norway, Poland, Portugal, Romania, Russian Federation, Saint Kitts And Nevis, Saint Lucia, Saint Vincent and The Grenadines, Samoa, San Marino, Saudi Arabia, Seychelles, Sint Maarten, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Turks & Caicos Islands, United Kingdom and Uruguay.

Copyright Business Recorder, 21/6/2017