

**GUIDANCE NOTE
PPG No. 13/2023**

Reference	OGC No. 13/2023
Title	Common Reporting Standard
Sub Title	Due Diligence and Reporting Obligation
Purpose	Summary of the Common Reporting Standard Due Diligence and Reporting obligations

Income Tax (Automatic Exchange of Information) Regulations, 2017

Common Reporting Standard – Due Diligence & Reporting Obligation

The Barbados Revenue Authority has penned this guidance note to provide Reporting Barbados Financial Institutions with guidance on the required due diligence exercise and reporting obligations to be completed for the purposes of the Common Reporting Standard (“CRS”).

Reporting Barbados Financial Institutions must

conduct due diligence on their financial accounts to identify:

- accounts held by relevant foreign tax residents
- accounts held by a passive non-financial entity and controlled by relevant foreign tax residents (look through rule)
- undocumented accounts

collect prescribed information about the foreign tax residents and accounts. This generally includes:

- identifying information - name, address, foreign taxpayer identification number(s) or equivalent, and date of birth information for the relevant foreign tax resident;
- identifying financial account information - account balance, and various prescribed types of payments or credits to the account (or with respect to the account);

report this information annually to the Barbados Revenue Authority by **July 31** of the relevant year.

The **due diligence processes** that a Reporting Barbados Financial Institution needs to carry out will depend on:

- ❖ when the account was opened
- ❖ whether the account is held by an individual and is a:
 - low-value account, or

Summary of the Common Reporting Standard Due Diligence and Reporting obligations

- high-value account (enhanced due diligence procedures apply); or
- ❖ whether the account is held by an entity.

Account holder	Pre-existing accounts maintained as at June 30, 2017	New accounts opened on or after July 1, 2017
Individual	Generally able to rely on information already on file for 'indicators' whether the individual is a relevant foreign tax resident.	Generally required to ask the individual account holder to 'self-certify' whether they are a relevant foreign tax resident.
Entity	Generally able to rely on information already on file for indicators that the entity (and, if the entity is a passive non-financial entity, any of its controlling persons) is a relevant foreign tax resident/s	Generally required to ask the entity account holder to 'self-certify' whether it (and, if the entity is a passive non-financial entity, any of its controlling persons) is a relevant foreign tax resident/s

Non-reporting financial institutions

The CRS specifically excludes certain financial institutions from due diligence and reporting obligations (non-reporting financial institutions). In addition, Barbados has two jurisdiction-specific non-reporting financial institutions, namely, The Barbados Agency for Micro Enterprise Development Ltd. (Fund Access) and Enterprise Growth Fund.

Financial accounts

Financial accounts include depository accounts, annuity accounts, cash value insurance contracts, custodial accounts and equity and debt interests held in certain financial institutions.

Excluded accounts

Certain financial accounts are specifically excluded under the CRS from due diligence and reporting obligations (excluded accounts). The Commissioner of Inland Revenue may also determine that certain other financial accounts are excluded accounts if they meet certain criteria (e.g. a low risk of being used to evade tax and with substantially similar characteristics to any of the specifically excluded account types) are excluded accounts. However, Barbados has no jurisdiction-specific excluded accounts.

Summary of the Common Reporting Standard Due Diligence and Reporting obligations

Wider Approach to CRS Due Diligence

The wider approach to due diligence is not mandatory for Barbados. Under this approach, Reporting Financial Institutions must carry out due diligence on their financial accounts to identify accounts held (and, if the account is held by a passive non-financial entity, controlled) by relevant foreign tax residents and collect prescribed identity and financial account information about such persons (and accounts), **not just persons that are tax residents in jurisdictions that Barbados has agreed to provide CRS information to (known as “Reportable Jurisdictions”)**.

Undocumented accounts

Where a Reporting Barbados Financial Institution is unable to determine the status of a pre-existing individual account, in specified circumstances it will be required to report the account to the Barbados Revenue Authority as an **“undocumented account”**.

Due Diligence and Reporting Dates

Due diligence obligations commenced on **1 July 2017**. The Reporting Barbados Financial Institution must report to the Barbados Revenue Authority by July 31 of the relevant year the prescribed information about reportable accounts (and undocumented accounts) they have identified for the reporting year.

Due diligence and reporting dates for pre-existing accounts

- ❖ The deadline for a Reporting Barbados Financial Institution to complete the CRS due diligence and initial reporting (if the account is reportable) for:
 - Pre-existing high-value individual accounts (with a balance or value that exceeds USD 1,000,000 as of June 30, 2017) was December 31, 2017.
 - Pre-existing lower-value individual accounts (with a balance or value that does not exceed USD 1, 000,000 as of June 30, 2017) was December 31, 2018.

Summary of the Common Reporting Standard Due Diligence and Reporting obligations

- ❖ The deadline for a Reporting Barbados Financial Institution to complete the CRS due diligence and initial review (if the account is reportable) for:
 - Pre-existing entity accounts (with an aggregate account balance or value that exceeds USD\$250,000 as of June 30, 2017) was December 31, 2018.
 - Pre-existing entity accounts (with an aggregate account balance or value that does not exceed USD\$250,000 as of June 30, 2017, but exceeds USD\$250,000 as of December 31, 2017 or of any subsequent calendar year) within the calendar year following the year in which the aggregate account balance or value exceeds USD\$250,000.

Reporting Barbados Financial Institution's Reporting Obligations

Reporting Barbados Financial Institutions are generally only required to report to the Barbados Revenue Authority prescribed information about accounts they have identified as being held (and/or, if the account is held by a passive non-financial entity, controlled) by relevant foreign tax residents if such persons are tax residents in Reportable Jurisdictions.

CRS record-keeping obligations

Reporting Barbados Financial Institutions will also (in addition to their other CRS due diligence and reporting obligations) be required to keep **records of the steps** they have taken and the **evidence** they have relied upon to comply with their CRS obligations. This should include keeping a record of any **failure to obtain a required self-certification**. The record-keeping obligation is outlined in Regulation 15 of the Income Tax (Automatic Exchange of Information) Regulations, 2017.

Summary of the Common Reporting Standard Due Diligence and Reporting obligations

