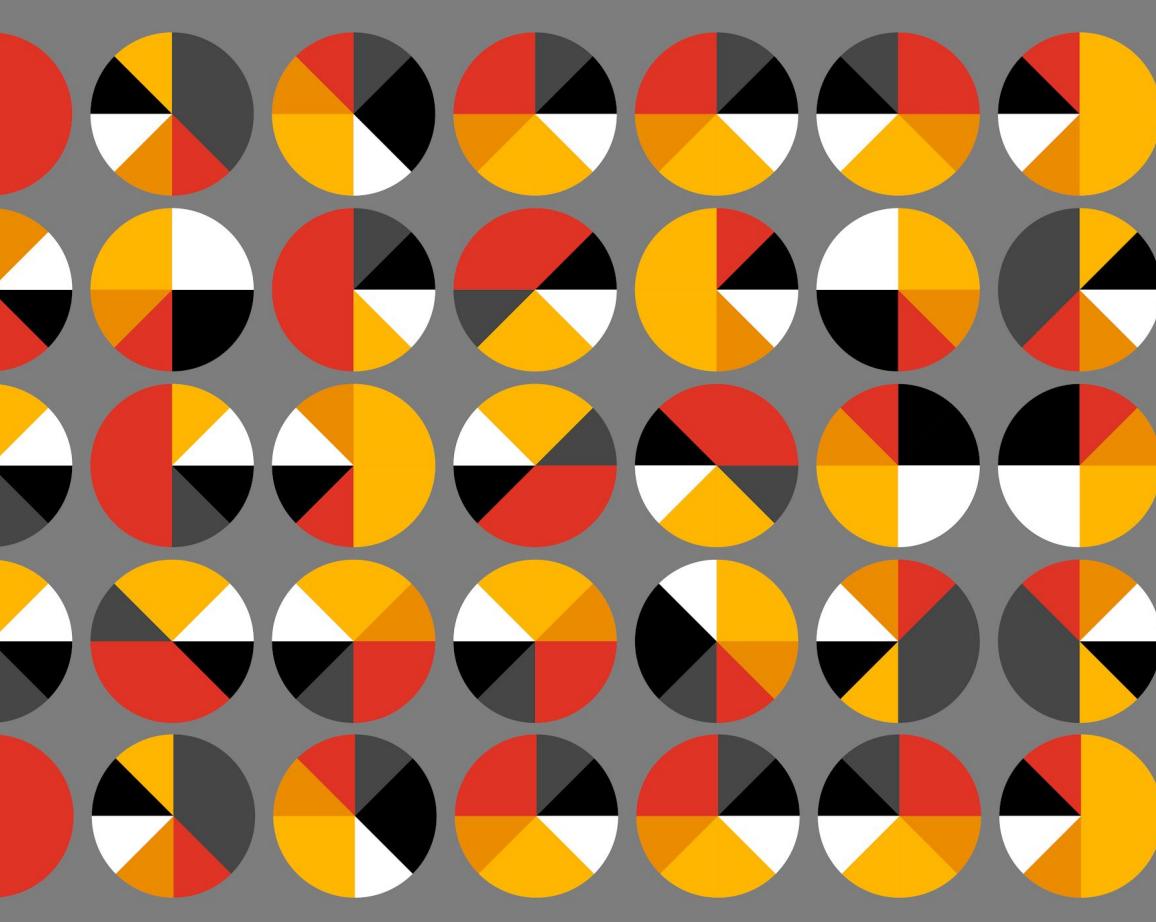


# Oman: Central Bank of Oman issues circular implementing the Common Reporting Standard regime

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## In brief

In order to align with international best practices regarding the fight of cross-border tax evasion and meet the standards set by the European Union (EU) and the Organization for Economic Co-operation and Development (OECD) in this matter, the Central Bank of Oman (CBO) recently issued a circular (Reference: BDD/CBS/CB/2019/2858) implementing the Common Reporting Standard (CRS) regime. This circular sets the rules for the automatic exchange of information (AEOI) through CRS.

## In detail

### What is CRS?

The CRS was established after the implementation of the Foreign Account Tax Compliance Act (FATCA) regulations that forces non-US Financial Institutions to provide the IRS with information about their US customers. The CRS has a similar goal but with a broader vision that would not only include US citizens and requires Financial Institutions to report information on accounts held by tax residents of reportable jurisdictions and certain entities controlled by such tax residents.

In line with the above, the CRS rules force Financial Institutions to identify and report accounts opened and held by persons that are tax residents in a CRS participating jurisdiction (i.e. 105 jurisdictions including the Sultanate of Oman are implementing or have committed to implement CRS until now). FATCA required the reporting to be made by the Oman banks directly to US Internal Revenue Services (IRS) since there was no inter-governmental agreement signed with US IRS, however the CRS reporting will be made to the Oman tax authorities, who will then exchange this information with other reporting jurisdiction who has signed the Multilateral agreement.

### What entities qualify as a Reporting Financial Institution?

There are 4 types of financial institutions under the CRS definition:

1. Custodial institution: an entity that holds, as a substantial portion of its business, financial assets for the account of others.
2. Depository institution: an entity that deposits in the ordinary course of a banking or similar business.
3. Investment entity:
  - a. An entity that (primarily) conducts as a business one or more of the following activities or operations on behalf of a customer:
    - i. Trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.);
    - ii. Individual and collective portfolio management;
    - iii. Otherwise investing, administering, or managing funds, money, or financial assets on behalf of other persons.
  - b. an entity of which the gross income is primarily attributable to investing, reinvesting, or trading in financial assets, if the entity is managed by another entity that is a type 1, 2, 3a, or 4 Financial Institution.
4. Specified insurance company: an entity that is an insurance company (or the holding company of an insurance company) that issues, or is obligated to make payments with respect to, a cash value insurance contract or an annuity contract.



## **Who qualifies as a tax resident?**

The concept of tax residency under CRS includes:

With respect to entities (i.e. legal person or arrangement such as a corporation, a partnership, a trust or a foundation):

- Domiciled in a jurisdiction
- Place of effective management or incorporation/organization of an entity.

With respect to individuals (controlling persons):

- Domiciled in a jurisdiction
- Where an individual lives (i.e. where the individual has his/her personal and economic activities or interests).

## **What is the reportable process?**

In order to comply with the CRS regulations, Financial Institutions established in Oman will have to:

- Collect self-certifications from new accounts;
- Conduct the due diligence reviews on pre-existing accounts;
- Document their internal governance and compliance framework;
- Report reportable accounts.

## **When will the CRS rules apply?**

The CBO declared that the collection of CRS related information for new account holders will start from 1 July 2019 for all Financial Institutions operating in the Sultanate of Oman. Thus, these Financial Institutions are required to collect a CRS self-certification from new customers upon account opening. It is also expected that the existing account holders will be required to provide the necessary information on tax residency later on this year.

Oman is currently preparing the primary and secondary legislation to implement the CRS and the country is committed to commence its first AEOI in September 2020.

## The takeaway

The collection of CRS related information for new account holders will start from 1 July 2019 for all Financial Institutions operating in the Sultanate of Oman.

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## Let's Talk

For a deeper discussion of how this issue might affect your business, please contact:

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