

Are you prepared?

IRAS compliance guidelines for Common Reporting Standard (CRS)

PwC Singapore



CRS compliance guidelines

On 23 July 2019, the Inland Revenue Authority of Singapore published the CRS compliance guidelines and the final IRAS e-Tax guide.

Overview

We have experienced 2 years of reporting under the Common Reporting Standard (CRS). Yet, there is much to be learnt for Reporting Singaporean Financial Institutions (SGFIs). While achieving completeness and accuracy of the CRS information reported may appear easy, most SGFIs still experience challenges, especially closer at the ground level. Given the complexity of CRS, coupled with the need for manual extraction of reportable information from various standalone internal systems, it is inevitable that SGFIs face operational challenges in complying with the CRS. Can SGFIs withstand a full CRS compliance external review?

The Inland Revenue Authority of Singapore (IRAS) aims to assist SGFIs in overcoming their challenges and essentially aid them in fulfilling their CRS obligations. With these objectives in mind and to show Singapore's commitment to international tax cooperation, IRAS has published the first edition of the **CRS compliance guidelines**, **finalised the IRAS e-Tax guide** and will **commence compliance reviews** on SGFIs starting in 2019.

In the CRS Compliance Guidelines, the IRAS has designed a self-review toolkit with 23 desired outcomes to assess the sufficiency and robustness of the CRS internal controls. The guidelines is also intended to establish a common language between IRAS and the SGFIs to facilitate CRS compliance for SGFIs.

What does this mean for SGFIs?

IRAS guiding principles

IRAS plans to adopt the following guiding principles as part of its CRS compliance review process:



Risk based approach

To ensure that SGFIs comply with their CRS obligations. The type and frequency of compliance reviews conducted by IRAS may vary for different SGFIs depending on their CRS compliance risk.



Minimising compliance cost

IRAS seeks to minimise SGFIs CRS compliance cost whilst ensuring compliance with the CRS requirements.



IRAS will take the right actions at the right time

IRAS will support SGFIs that are voluntarily CRS-compliant in Singapore and may take deterrent measures against errant non-compliant SGFIs.

Expectations for SGFIs



- ① Put in place robust internal controls at the Entity, Process and Reporting levels
- ② Maintain sufficient documentation that is compliant with the Singapore requirements of the CRS.
- ③ Maintain a programme of periodic compliance reviews covering internal controls and sample testing of accounts
- ④ Follow up on recommendations by IRAS and/or compliance reviews to correct any systemic failures with respect to systems, policies or procedures

CRS compliance guidelines

IRAS has established a set of the CRS Compliance Guidelines which sets out controls designed to assist SGFIs in CRS compliance. The guidelines cover three levels of controls, namely Entity, Process and Reporting. SGFIs may adopt these controls to effectively fulfil and demonstrate their CRS compliance.

The link to the CRS Compliance Guidelines can be found [here](#).

Listed below is the 23 desired outcomes and its key considerations.

Controls	Key considerations
Entity level controls	
Control environment SGFI has a conducive CRS compliance environment to fulfil its business obligations.	<ul style="list-style-type: none"> • Have you identified your SGFI's CRS risks and is there a process to evaluate and manage these risks? • Do you have defined roles and responsibilities to manage CRS processes and are there appropriate policies and procedures in place? • Do you have processes in place to ensure accuracy and completeness of CRS related data? • Are you able to manage changes that may impact CRS compliance including any legislative or regulatory changes? • Do you have appropriate documentation that allows for timely communication of information? • Are you monitoring and reviewing controls for CRS compliance?
Control activities SGFI profiles its CRS risks and manages them through preventative, detective and corrective controls.	
System controls Data integrity is maintained when the SGFI relies on robust IT systems for CRS compliance. This also applies to Reporting SGFIs which have no IT systems and rely on end user developed applications (e.g. Excel) or manual processes for CRS compliance.	
Change management Reporting SGFI's CRS compliance environment remains effective despite exposure to business changes internally or externally.	
Information and communication Process owners and users in the SGFI are equipped with necessary knowledge and tools to obtain CRS-related information and to keep records for the purposes of executing their designated function in compliance with the CRS.	
Monitoring and review Controls which contribute to the compliance of CRS are monitored and reviewed to ensure that they are present and functioning as intended.	

Controls	Key Considerations
Process level controls	
Account identification – new accounts	
New account identification and treatment New accounts are defined in the context of business and are documented.	<ul style="list-style-type: none"> • Are there procedures to identify and document new accounts? • How are you relying on existing onboarding procedures and ensuring appropriate and timely collection of account holder information? • Are there procedures to ensure proper application of the reasonableness test? • Are there procedures to prevent account opening when the account does not comply with the CRS requirements?
Account holder information collection and form completion Complete and accurate information for CRS compliance is collected in a timely manner during account opening in accordance with the CRS.	
Review of account opening documents Review of account holder and controlling person is based on appropriate documentation and is done in accordance with the CRS requirements.	
Opening of accounts Only accounts which comply with CRS requirements are opened.	
Account identification – pre-existing accounts	
Determination of pre-existing accounts Pre-existing accounts are defined in the context of the business and are documented.	<ul style="list-style-type: none"> • Are there procedures to identify pre-existing entity accounts, high value individuals, and lower value individual accounts? • What are the due diligence procedures that have been adopted and are these documented? • Are there review procedures applied appropriately to the pre-existing Accounts and conducted according to the CRS? • Have you identified undocumented accounts and the follow up actions?
Optional treatment in the due diligence procedure for pre-existing accounts Optional rules on due diligence procedures are adopted in accordance with the CRS and documented.	
Review procedures Review procedures are applied appropriately to the pre-existing account types and conducted according to the CRS.	
Identification and treatment of undocumented accounts Undocumented accounts are identified for appropriate CRS treatment.	
Account monitoring procedures	
Monitoring of account details Change in circumstance (CIC) and other changes (e.g. account balances exceeding threshold) to Account Holder information are defined and identified.	<ul style="list-style-type: none"> • Have you identified Change in circumstance (CIC) and other changes (i.e. account balances exceeding threshold) to Account Holder information? • Are there procedures to document, track and follow up CIC and other changes on timely resolution? • Are there processes in place to conduct annual reviews of undocumented, dormant and excluded accounts and be classified correctly under the CRS?
Documentation and follow-up of CIC and other changes CIC and other changes to Account Holder information identified are documented, tracked and followed up to ensure timely resolution.	
Review of undocumented accounts, dormant accounts and excluded accounts The above accounts are monitored and reviewed annually/periodically.	
Account closing procedures	
Identification of closed accounts Account closure is defined and its occurrence is identified for relevant treatment under the CRS.	<ul style="list-style-type: none"> • Is account closure defined and its occurrence identified for relevant treatment under the CRS? • Are the specific accounts reviewed upon account closure and are these appropriately and accurately recorded in a timely manner?
Finalising closed accounts Specific accounts are reviewed upon account closure.	
Recording closure of accounts The occurrence of account closure is recorded accurately and in a timely manner.	

Controls	Key Considerations
Reporting level controls	
CRS data extraction and report/return preparation SGFI extracts complete and accurate CRS data, and prepares the CRS report/return in accordance with the updated CRS XML Schema (or the fillable PDF form) and the IRAS CRS XML user guide.	<ul style="list-style-type: none"> • Are there procedures to ensure the accuracy and completeness of the reportable CRS information? • Are reports being reviewed and submitted to IRAS in a timely manner? • Are there procedures to address submission errors and re-submission to IRAS in a timely manner?
Submission of CRS report/return The CRS report/return is reviewed and submitted to IRAS by the statutory deadline.	
Managing errors and amendments from CRS Submission errors are addressed and resubmissions are done in a timely manner.	

How PwC Singapore can assist you to achieve CRS compliance

A CRS compliance health check can be conducted to assess your current state of CRS compliance in congruence to the CRS compliance guidelines. We provide a gap analysis which includes recommendations to support you and address the gaps identified based on your existing CRS programme. As the CRS programme involves several parties within an organisation, we believe key stakeholders must be identified, appropriately assigned and meaningfully engaged. This is also part of the definition of roles and responsibilities addressed in the CRS compliance guidelines.

Our health check includes a review of your systems to ease and bridge existing gaps on the extraction of CRS reportable information, align the CRS Self-Certification form with existing Customer Due Diligence (CDD) and Know Your Customer (KYC) information and process, integration of the CRS CIC triggers in the existing workflow, establishment of the concept of dormancy in account reactivation process and provide recommendations in handling undocumented and closed accounts.

In summary, we provide:

1. Review of existing processes and controls, gap analysis and implementation of a controls framework based on the IRAS CRS compliance guidelines;
2. Advisory and compliance services (i.e. legal entity classification analysis of the company, and, due diligence and reporting (if any) under FATCA and CRS);
3. Conduct pre-existing accounts due-diligence remediation exercise; and
4. CRS training programmes tailored to meet your needs.

Contacts


If you require further assistance in respect of CRS matters, please reach out to our CRS and FATCA team:



Brendan Egan
 Partner, Tax
 PwC Singapore
 +65 9821 7300
brendan.m.egan@sg.pwc.com



Denise Lim
 Partner, Risk Assurance
 PwC Singapore
 +65 8127 3801
denise.ll.lim@sg.pwc.com



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