**Will CRS implementation provoke bank secrecy wreck?**

Until quite recently revenue authorities could make an enquiry to a bank only in case they have solid reasons to suspect a person in tax evasion, but the situation has changed completely since 2016. Now banks provide revenue inspectors with information themselves.

On January 1, 2016 new Common Reporting Standard was enacted that obliged banks to communicate information about beneficiary owners of corporate and private accounts to revenue bodies.

***What is CRS?***

Let’s figure out what CRS is and which sort of information will be passed by banks.

Common Reporting Standard or CRS is a common information exchange standard. It is based on the basis of FATCA but there are certain differences between them. For example, FATCA follows the principle of the USA citizenship, but the basic principle of CRS is tax residence of a person holding an account.

***How and where will personal information be communicated?***

In reference to information about individuals that will be passed by banks to local revenue bodies, the data will contain account holder’s full name, address, tax identification number, available balance on an account, payments, retirement savings and property ownership.

This information will be transferred by local department of revenue services to revenue body of the country where a client has tax residency. Than revenue authorities can compare information received with declared data. Obviously, contingent taxes will be immediately shown during detailed comparison. It should be noticed that even now several European banks have a question about client’s tax residency in their application forms and demand a corresponding certificate.

It is also easy to identify the country of tax residency that is determinated by the place where a person lives more than 183 days during one year. This definition should not be confused with citizenship.

***Criteria of communication of information about legal entities***

Tax residency of legal entities is recognized in the country where it pays income tax in correlation with the fact of permanent stay, where it has residency, office or management and other criteria about similar aspects considering not only profit received in this country. In case a company is active and does not have any passive income in any bank, the following information will be communicated: address, identification number, account number and total balance at the end of financial year.

New CRS obliges banks, brokerage houses, financial repositories, trust and insurance companies and shared investment companies to pass information to revenue authorities.

***Beginning of information exchange***

The first information exchange is planned to happen in September, 2017 (accounting period is the financial year 2016) between Luxembourg, Liechtenstein, all the members of the European Union and offshore territories of the United Kingdom.

The following countries announced intention to join CRS since 2017: Switzerland, Hong Kong, Canada, Russia, Australia, Monaco, Singapore, Malaysia, Japan, the UAE, Qatar, Israel, Turkey, Brazil, Saudi Arabia, Macao, New Zeeland, Andorra, Marshall Island, Saint Vincent and Grenadines, Belize, Indonesia, Antigua and Barbuda, Saint Lucia, Bahama Islands, Saint Kitts and Nevis, Costa Rica, Samoa, Saint Martin, Brunei Darussalam, Aruba, China, Grenada.

The specialists of OLIESERVE are closely following all the changes of bank and tax sectors in order to present the most relevant and interesting information to you.

Contact us and we will be happy to assist you in all the procedures of opening accounts in international banks and company formation in various jurisdictions.

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