

AN ALERT FROM THE BDO FINANCIAL SERVICES PRACTICE

# ASSET MANAGEMENT INSIGHTS

## COMMON REPORTING STANDARD (CRS): CAYMAN ISLANDS FILING DUE DATE EXTENDED TO JULY 31

**Are your offshore funds ready for the FATCA and CRS reporting that is required this year? Here is some welcome news: The Cayman Islands Tax Information Authority (TIA) issued new Guidance Notes confirming a two month extension for Cayman Investment Funds (and other Financial Institutions) to submit their first report under the Common Reporting Standard (CRS). No penalties will be considered if the reports are submitted on or before July 31, 2017.**

### SUMMARY

2017 is the first year when offshore funds must file reports disclosing their investors under CRS, the OECD's answer to FATCA. Prior to that, the Funds must have completed their investor documentation (CRS due diligence). On April 13, 2017 the TIA released its CRS Guidance Notes which confirm an earlier announcement granting a two month extension (to July 31, 2017) for the first year reporting under CRS. This "soft opening" not only gives the TIA more time to improve the functionality of its exchange of information portal which is scheduled to open for CRS submissions in June 2017, but also allows more time for investment funds and their advisors

to process and submit the investor and account information they are required to disclose.

### BACKGROUND

Offshore investment funds (including hedge funds, private equity funds, and mutual funds) are subject to multiple account disclosure regimes designed to satisfy the desire for tax transparency in the investor's country of residence. The United States introduced its Foreign Account Tax Compliance Act (FATCA) in 2010, and non-U.S. investment entities have slowly learned to document and report their United States account holders in accordance with United States FATCA regulations and intergovernmental agreements (IGAs).

Now multiply FATCA by 100: the number of countries committed to exchange information under the Common Reporting Standard for the first time in 2017 or 2018. Essentially, CRS is the OECD's equivalent to FATCA. Because the vast majority of offshore funds set up for investment in U.S. assets are organized under the laws of the Cayman Islands, this small nation is of great importance from a CRS compliance perspective. Every Cayman Island fund must document its investors under CRS principles, identify those who are residents of a jurisdictions that adopted CRS and



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report them to the Cayman Islands TIA portal.

As part of this report, the investment fund is required to submit, among other things, the investor's name, address, and account balance, using the XML schema for electronic transmission. The initial filing due date to report 2016 account information was May 31, 2017. The TIA has now extended the due date to July 31, 2017. (Note that this extension applies only to the 2016 reporting period; next year's reports should be filed by May 31.) The investment fund must also register with the TIA prior to the report submission, i.e., on or before June 30, 2017.

## HOW BDO CAN HELP

BDO USA, LLP has the technical expertise and the technology to support its clients with this important compliance function. Please contact our FATCA/CRS Practice Leader Martin Karges at 212-885-8156 or one of the local BDO partners listed on this brochure for more information.

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