

## **EXPLANATORY NOTE ON REVISED DRAFT CRS REGULATIONS**

**New Draft Regulations for purposes of paragraph (a) of the definition of “international tax standard” in section 1 of the Tax Administration Act, 2011, (Act No. 28 of 2011), promulgated under section 257 of the Act, specifying the changes to the OECD Standard for Automatic Exchange of Financial Information in Tax Matters**

The “Standard for Automatic Exchange of Financial Account Information in Tax Matters (hereinafter “the Standard”) encompasses the “Common Reporting Standard” (hereinafter “the CRS”). The Standard, initially developed in response to a G20 request, was embodied in the OECD Recommendation on the Standard for Automatic Exchange of Financial Account Information in Tax Matters, adopted by the OECD Council on 15 July 2014 and calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions annually.

Developed alongside the CARF, the first comprehensive review of the CRS has resulted in amendments to bring new financial assets, products, and intermediaries within its scope, because they are potential alternatives to traditional financial products, while avoiding duplicative reporting with that foreseen in the CARF. The amendments to the CRS (“the Revised CRS”) contain a set of amendments to the CRS, along with associated Commentaries and exchange of information frameworks (collectively referred to as the International Standards for Automatic Exchange of Information in Tax Matters), as approved by the OECD’s Committee on Fiscal Affairs over the course of 2022/2023.

The CRS was amended to bring certain electronic money products and Central Bank Digital Currencies in scope. Changes have also been made to ensure that indirect investments in Crypto-Assets through derivatives and investment vehicles are now covered by the CRS. In addition, amendments have been made for purposes of the following:

- To strengthen the due diligence and reporting requirements (including the reporting of the role of each Controlling Person) and to foresee a carve-out for genuine non-profit organisations.
- To enhance the reporting outcomes under the CRS, including through the introduction of more detailed reporting requirements, the strengthening of the due diligence procedures, the introduction of a new, optional Non-Reporting Financial Institution category for Investment Entities that are genuine non-profit organisations and the creation of a new Excluded Account category for capital contribution accounts.

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- In addition, further details have been included in the Commentary to the CRS in a number of locations to increase consistency in the application of the CRS and to incorporate previously released Frequently Asked Questions and interpretative guidance.

The Revised CRS comprises the following:

- The amendments to the CRS;
- An Addendum to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA);
- The revised Commentaries on the CRS;
- The revised CRS-Related FAQs; and
- Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures.