

# Are You a Financial Institution?

## Check Your Eligibility for Common Reporting Standard (CRS) Compliance



In less than seventy days, all Reporting Financial Institutions will be required to file their first set of Information Returns in compliance with Income Tax (Common Reporting Standard) Regulations (“the CRS Regulations”).

The Common Reporting Standard (“CRS”) is an automatic exchange of information regime that makes it mandatory for all qualifying financial institutions, referred to in the Regulations as Reporting Financial Institutions, to provide information on the details of assets held on behalf of eligible persons.

The CRS Regulations, issued in August 2019 by the Federal Inland Revenue Service (“FIRS”), officially commenced on 1st July, 2019. All Reporting Financial institutions including those that do not have reportable accounts are required to file the first set of reports by the 31st of May 2020 to cover the period July 1 – December 31, 2019, failing which defaulting financial institutions will incur stiff penalties.

Reporting Financial Institutions include Custodial Institutions, Depository Institutions, Investment Entities and Specified Insurance Companies. The first step a financial institution must take in preparing for CRS compliance is to determine its eligibility as a Reporting Financial Institution. The checklist below should serve as a useful guide for ascertaining

your obligation to file an Information Return on or before the 31st of May 2020.

### You are a Reporting Financial Institution if:

- 20% of your gross income is derived from holding Financial Assets for the account of others; or
- you accept deposits in the ordinary course of your business; or
- 50% of your gross income is attributable to trading in money market instruments, foreign exchange, interest rate and index instruments, transferable securities or commodities futures trading; or
- you manage individual or collective portfolio and 50% of your gross income is attributable to such activity; or
- you invest, administer or manage Financial Assets or money on behalf of other persons and 50% of your gross income is attributable to the provision of such services; or
- you are managed by a Depository or Custodial Institution or a Specified Insurance Company or Investment Entity and your gross income is attributable to investing, reinvesting or trading in Financial Assets.

### You are a Non-Reporting Financial Institution if:

- you are a Governmental Entity, International Organization or Central Bank; or

- you are a Broad Participation government regulated retirement fund; or
- you are a Narrow Participation Retirement Fund; or
- you are a Pension Fund of a Governmental Entity; or
- you are a Qualified Credit Card Issuer; or
- you are an Exempt Collective Investment Vehicle provided that all of the interests in the collective investment vehicle are held by or through individuals or Entities that are not Reportable Persons other than a Passive NFE with Controlling Persons who are Reportable Persons.

The CRS Regulations impose a penalty of N10million for failure to comply with a duty or obligation imposed by the Regulations and N1million for every month in which the failure continues. The onus to determine eligibility lies on every financial institution, as the FIRS does not intend to notify qualifying financial institutions of their obligation to comply.

For more information on how we can assist you in this process, kindly contact us at [taxteam@uubo.org](mailto:taxteam@uubo.org)