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The Canada Revenue Agency Revised its Guidance on the Foreign Account Tax Compliance Act and the Common Reporting Standard

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As communicated in our Tax Forum in July 2021, the Canada Revenue Agency (CRA) released its revised guidance on the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) on March 10, 2022.

Below are some of the important changes:

Chapter 5 in the previous guidance has been moved and renumbered as Chapter 10. This chapter provides information on the administrative procedures applicable to multiple financial institution structures including investment funds, investment managers, dealers, introducing brokers, carrying brokers and custodial institutions. Consequently, other chapters are renumbered accordingly;

There are changes to the administrative procedures applicable to multiple financial institution structures apply from January 1, 2023 and do not require any remediation of existing accounts except when there is a change in circumstances that occurs on or after January 1, 2023;

Meaning of new, additional or amended customer information and treatment of the new and existing accounts as a single account;

Where a trust is a passive non-financial foreign entity (passive NFFE) has an account with a financial institution, the financial institution must have appropriate procedures in place to identify when a distribution is made to a discretionary beneficiary of the trust to enable the trust or trustee to disclose such beneficiary as a controlling person;

An electronic signature can be numeric, character-based, or biometric, as long as it is unique to the person and a record can be kept. An electronic signature may also be encrypted. The CRA's expectation is that it will be able to review a self-certification record during an examination, but the electronic signature does not need to be unencrypted;

Canadian TINs are not required to be reported on a self-certification unless the account holder is a specified U.S. person for FATCA purposes or a reportable person for CRS purposes;

Account holder by a U.S. person for FATCA purposes or a reportable person for CRS purposes who has died must be reported as a closed account in the year the financial institution is informed of the death;

Cut-off date for financial institution that ceases to be a deemed-compliant FFI to become a reporting Canadian financial institution and for financial institution that ceases to be a deemed-compliant FFI with no reporting obligation under the Agreement to become a deemed-compliant FFI with limited reporting obligation for FATCA purposes. Similar rule applies to CRS;

For FATCA reporting related to the 2020 and future calendar years, the IRS has developed a series of optional codes in lieu of 9 "0" that may be used to populate the TIN field in circumstances where the TIN is not available; and

Each of the guidance on FATCA and CRS provides some information and examples on the anti-avoidance provision stated in Part XVIII and Part XIX of the Income Tax Act.



If You Have Further Questions

We encourage our clients to review the new guidance and consult with their tax advisors on whether they should update their existing FATCA/CRS policies and procedures in accordance with the new guidance.

For more information, please see the Government of Canada's [Enhanced financial account information reporting](#).

If you have further questions, please reach out to your relationship manager.

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