



Common Reporting Standard: What trusts and foundations need to know

What is the Common Reporting Standard (CRS)?

The Common Reporting Standard (CRS) is an international tax transparency regime, agreed at [OECD level](#), which creates Automatic Exchange of Information (AEIO) between the tax authorities of [participating jurisdictions](#). While it's aimed primarily at banks and financial management services, charitable trusts, foundations and companies are included within the regime if they fulfil certain conditions, and so may have to report to HMRC information about their grant holders.

The overall intention of the regime is to reduce tax evasion by individuals and corporations who may attempt to move financial assets outside their home tax jurisdiction. The CRS therefore tracks money flowing through 'financial institutions' to those account holders tax resident in other jurisdictions in order to pass this information on to the relevant tax authorities.

Which charities are affected by CRS?

Charities will be considered to be financial institutions if they rely on investments for more than 50% of their income and where *any* of those investments are externally managed by a financial institution under a discretionary mandate.

[HMRC has given examples](#) of how they interpret 'discretionary management by a financial institution'. It is clear that taking and acting on advice does not equate to giving discretionary management. Nor are unit trusts regarded as being investments under 'discretionary management' because in such cases HMRC regards the charity as essentially taking a share the profits of the unit trust rather than investing into the market directly. However even tightly drawn investment policies will still confer discretionary management if investment managers are free to choose which stocks to buy within the parameters set by the policy.

What charities will have to do if they fall within CRS?

Charities that fall within the scope of the regime will have to:

- **Carry out due diligence** to establish the tax residency status of all grant-holders and others who hold an [equity interest](#) in the proceeds of the organisation. This will entail funded organisations and individuals self-certifying their tax residency status and personal and organisational data.
 - For charities your organisation funds, being listed on a UK regulatory register for charities will be sufficient evidence of UK tax residency status.
 - For individuals, a simple declaration of tax residency status will be sufficient (along with the other information you must report to HMRC).
 - Charities that qualify as financial institutions but which are incorporated organisations will not however have to carry out due diligence or report on grant holders, and will only be required to do so for members of the company who have a debt or equity interest. It's difficult to imagine where that situation might arise for a charity, but perhaps it's conceivable that a board member could make a loan to an organisation. 'Incorporated' charities include those incorporated by Royal Charter, Act of Parliament, and Charitable Incorporated Organisations.
 - In all cases, you must decide whether you can reasonably rely on the self-certification information, given other information you may have to hand. For

example, if you already know that an organisation you fund is headquartered in another country but it has self-certified as being UK tax resident, you should probably make further enquiries.

- [Register](#) with HMRC as a financial institution if you have reporting requirements. Note that registration will take 24 hours before a return can be made, so it is advisable to do this well in advance of the deadline.
- **Report to HMRC** by the end of May on all payments made during the previous calendar year to any individuals or organisations which are tax resident in ‘reportable jurisdictions’ outside the UK (including Channel Islands and Crown Dependencies). You can find a list of [‘reportable jurisdictions’ here](#) – note that it is updated each year. The information will include name, address, tax residence jurisdiction, tax identification number and, for organisations, classification of the sort of institution they are for the purposes of CRS.
- Consider whether the exchange of information could put at risk or interfere with the human rights of those concerned. In such cases, the funder should apply to HMRC to have the information withheld from the exchange (redacted) [here](#).

Materials that might help you fulfil your obligations under CRS

The Association of Charitable Foundations and the Charity Finance Group have created the following materials that may help your organisation fulfil your obligations.

- A policy document for the Common Reporting Standard
- A flow chart to help indicate how your charity is affected by CRS
- A self-certification form for individual grant-holders
- A self-certification for organisational grant-holders, including an explanation of the different kinds of entities under CRS
- A check-list to help charities that are financial institutions ensure that have taken the key steps they need to fulfil their obligations.

If you have any doubt about how CRS applies to you, you should first check HMRC’s guidance and working manual, and also consider taking professional advice.

First years of implementation

The Common Reporting Standard went live at the beginning of January 2016 although the guidance was not completed until the beginning of 2017 year. With this in mind, [HMRC has stated](#):

“For the early years of AEOI reporting HMRC’s approach to compliance by charities that are Financial Institutions will be a soft landing; we will not seek to apply penalties where charities have made efforts to carry out due diligence requirements and report accurately.”

HMRC’s guidance on compliance can be found [here](#). Penalties for non-compliance are not specific to the charity sector and fines of thousands of pounds may be imposed.

Link between CRS and FATCA

Your organisation may already be self-certifying to financial institutions you deal with under an equivalent AEOI regime with the USA known as [FATCA](#). However unlike CRS, charities are exempt from FATCA. For that reason you should be aware that you will have to make different declarations for each regime.

HMRC Guidance

[General introduction to CRS for charities](#)

[HMRC's internal manual for charities and CRS](#)

[HMRC's guidance on the protection of human rights](#)

[Contact HMRC's dedicated team for enquiries](#)

Disclaimer

Please note that although ACF has tried to ensure all the information is correct, we do not guarantee the accuracy of these pages and any person using information contained in them does so entirely at their own risk. See our website for more information. If you have any doubts about your duties under CRS, please refer to the [guidance](#), seek professional advice, or [contact HMRC](#).