

## COMMON REPORTING STANDARDS IN MALAYSIA

To help fight against tax evasion and protect the integrity of tax systems, governments around the world are introducing a new information-gathering and reporting requirement for financial institutions. This is known as the Common Reporting Standard (the "CRS") and we would like to help you understand what it means for you.

On 23 December 2016, Malaysia introduced several new legislations as part of its commitment to support and implement the CRS: a) The Income Tax (Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information) Order 2016; b) The Income Tax (Convention on Mutual Administrative Assistance in Tax Matters); and c) Income Tax (Automatic Exchange of Financial Account Information) Rules 2016.

### 1. What is the CRS?

The CRS is an information-gathering and reporting requirement for financial institutions in participating countries to help fight against tax evasion and protect the integrity of tax systems.

### 2. Who is affected by the CRS?

Whether you are an individual customer or you have a business relationship with us, the CRS may affect you. The impact will depend on factors such as:

- the type of account or product you hold with us
- where you live or operate as a business

### 3. Who is reportable?

The CRS seeks to establish the tax residency of customers. Under the CRS, financial institutions are required to identify customers who appear to be tax resident outside of the country where they hold their accounts and products, and report certain information to the local tax authority. The local tax authority may then share that information with the tax authority where the customers are tax resident. Meaning, if the customer is a tax resident outside Malaysia, MCIS are required to give the customer's national tax authority (through Malaysia's Inland Revenue Board) the information relating to his account or policy.

### 4. How is the customer's tax residence defined?

This will depend on where the customers live or where they have their tax obligation with.

Customers may contact a professional Tax Adviser for more information or they may check the *Organisation for Economic Co-operation and Development (OECD)* website for more information. MCIS does not provide tax advice.

#### 5. What type of information and/or documents that customers are expected to supply to MCIS?

In line with the CRS requirements, MCIS will ask for the customer's information and documents (for verification purposes by MCIS [Note A](#)) which would include a self-certification as below:

Individual	Entity <a href="#">Note B</a>	Controlling Persons <a href="#">Note C</a>
<ul style="list-style-type: none"> <li>Name</li> <li>Address</li> <li>Place of Birth</li> <li>Date of Birth</li> <li>Country(ies) of tax residence</li> <li>Taxpayer Identification Number ("TIN") <a href="#">Note D</a></li> </ul>	<ul style="list-style-type: none"> <li>Name</li> <li>Address</li> <li>Country(ies) of tax residence</li> <li>Taxpayer Identification Numbers</li> <li>Place of registration/incorporation</li> <li>Entity type</li> </ul>	<ul style="list-style-type: none"> <li>Name</li> <li>Address</li> <li>Place of Birth</li> <li>Date of Birth</li> <li>Country(ies) of tax residence</li> <li>Taxpayer Identification Number</li> <li>Controlling Person Type for certain Entities</li> </ul>

*Note A : MCIS is required by law to verify the details provided by the customers as part of their self-certification*

*Note B : A legal arrangement such as a corporation, organization, partnership, trust or foundation, includes any customer that holds a business account, product or service*

*Note C : Controlling Persons refers to any natural person(s) who ultimately owns or controls an entity, includes those persons who exercise ultimate effective control over a legal arrangement (i.e. direct or indirect ownership)*

*Note D : A unique combination of letters and/or numbers assigned to the customer/Entity by the tax authority in the country(ies) where the customer/Entity have their tax obligation with. For clarity or more information, please check OECD website on the list of the acceptable TIN formats and their alternatives.*

#### 6. Is MCIS the only one doing this?

No, all financial institutions – that includes banks, insurers and asset management businesses – in over 100 participating countries worldwide are required to be compliant with the CRS.

#### 7. Are all Employee Benefits, GHS products, Term Products, Credit related, Retirement (EPF) and Annuity Products out of scope

Yes

**8. Does trustee meet the definition of an account holder and is he/ she subjected to CRS definition and reporting. Is this applicable to FATCA as well.**

Trustee does not meet the definition of an account holder and is not subjected to CRS and FATCA reporting.

**9. “New Account” - IRBM has confirmed that this refers to any new proposal applications with a policy commencement date from 1 July 2017 onward. Would this include all lapsed policies during this period (before/after 1 July 2017), so long as the policy is reissued after 1 July 2017?**

All lapsed policies shall be treated as a pre-existing account and will be remediated (on a best effort, basis) and reported. These blocks of policies may be reported as “undocumented”.

**10. Is self-certification required for ‘Reinstatement without Health Warranty’? Could this scenario be exempted since this is only applicable for selected policies which meet pre-identified criteria?**

Yes, the requirement for a self-certification can be waived provided that there are no changes in circumstances to the policyholder.

**11. During the pre-existing remediation period, in the event that policy holder/owner have yet to provide the CRS details, and there is a request for surrender,**

All financial institutions will still proceed to surrender the policy and for reporting purpose, this policy holder/owner will be classified as undocumented.

**12. Will MCIS respect customers’ data privacy?**

Yes, MCIS will respect the customers’ data privacy. MCIS will only disclose the customers’ information to the relevant tax authorities if MCIS are legally required to do so.

**13. If a foreign customer/entity lives in Malaysia and a tax resident of Malaysia, so why do he needs to give MCIS those details (per no. 5 above)?**

Under the CRS, MCIS are legally required to establish the tax residency of all its customers, even if the customers are a tax resident of Malaysia. This can only be achieved by the customer providing MCIS with the relevant tax information. As a general rule, the above customer’s details will not be reportable to tax authorities for CRS purposes of Malaysia is the customer’s only tax residency.

**14. What will MCIS do if customer does not provide the information required under CRS (per no. 5 above)?**

MCIS is committed to being fully compliant with CRS in line with the legislation requirement. Hence, MCIS will not be able to issue a new policy, or offer additional products or services,

to customers who choose not to comply with MCIS's request for documentation required to establish the customers' tax residency status under the CRS.

For new customer, MCIS will put the customer's proposal on hold and give him a 14-days period to furnish MCIS with the necessary details, failing which, MCIS are afraid that we are unable to issue the new policy for the customer. For existing customer, MCIS may take any or all of the following actions: a) Exit the relationship with the customer; b) Report the customer information to the relevant authority;