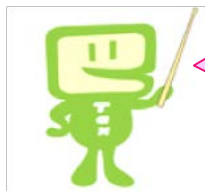


## Introduction of Reporting System for Automatic Exchange of Information on Financial Accounts of Non-Residents



As globalization of business transactions continues to expand, in order to address tax evasion and avoidance through offshore financial accounts, the **OECD** developed the "Common Reporting Standard (**CRS**)", which calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. Overview of the **CRS** and Japan's system in response are as follows.

### 1. Overview of the **Common Reporting Standard (CRS)**

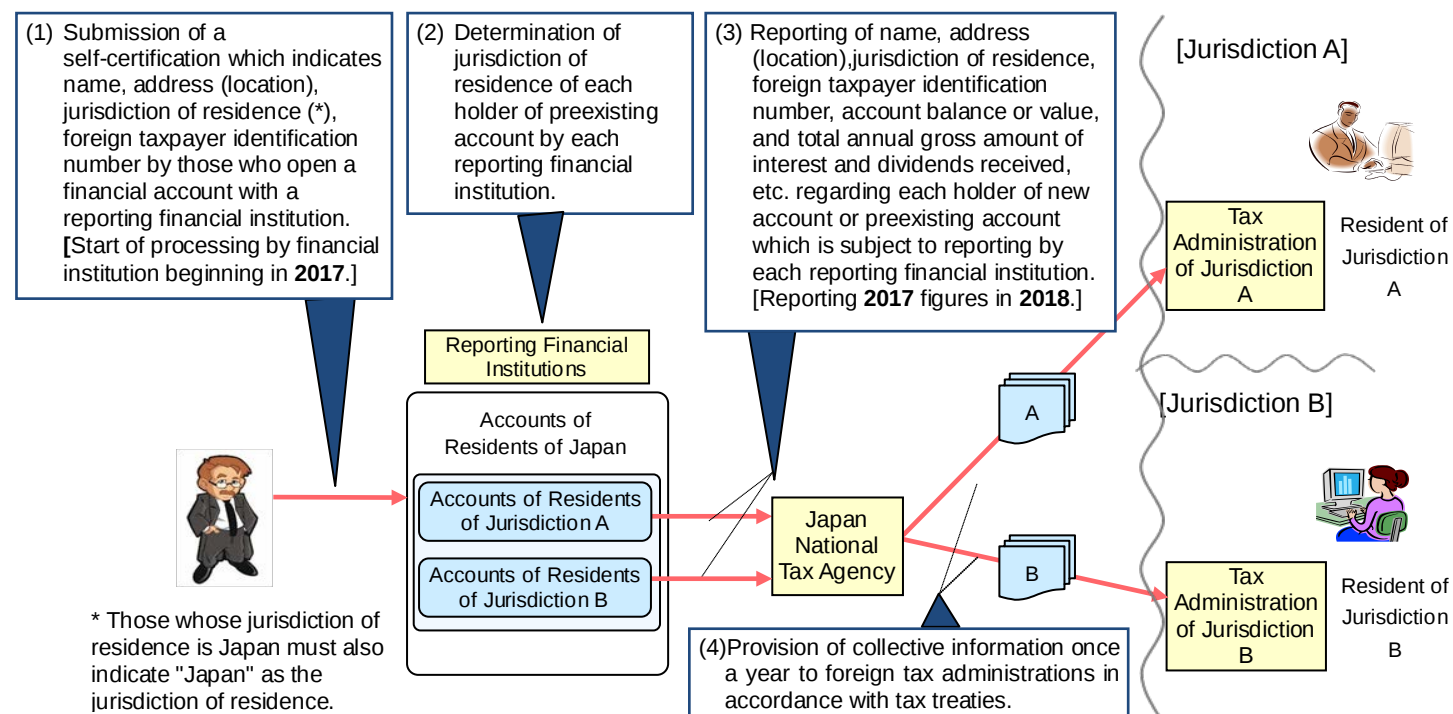
- (1)** Tax administrations of each jurisdiction obtain reports of information on financial accounts of non-residents (both individual and entity) from financial institutions located in each jurisdiction, and based on the provision of exchange of information set forth in bilateral tax agreements, etc., it will be automatically exchanged among the tax administrations of each jurisdiction.
  - a. Financial institutions obliged to report financial account information**  
Depository Institutions, such as banks, Specified Insurance Companies, such as life insurance companies, Custodial Institutions, such as securities companies, and Investment Entities, such as trusts.
  - b. Financial accounts subject to reporting**  
Depository Accounts, such as ordinary savings accounts, Cash Value Insurance Contracts or Annuity Contracts, Custodial Accounts, such as securities accounts, and Equity Interests, such as trust beneficiary rights.
  - c. Information subject to reporting**  
Account holder's name, address, jurisdiction of residence, foreign taxpayer identification number, account balance or value, total annual gross amount of interest and dividends received, etc.
- (2)** Financial institutions with reporting obligation must identify the jurisdiction of residence of the account holder and determine the reportable accounts in accordance with the procedures set forth in the CRS. To identify the jurisdiction of residence, the subject financial institution must obtain a Self-Certification which indicates the jurisdiction of residence from the applicant for new accounts, and also review its record for preexisting accounts.
- (3)** As of today, more than **100** countries, including Japan, have committed to exchange of information with each other under the CRS starting **2017** or **2018**. Furthermore, as for Japan, information on financial accounts established abroad for residents of Japan will be provided beginning in **2018**.

### 2. Overview of the System in Japan

From the perspective of implementation of the exchange of information based on the CRS, Act on Special Provisions of the Income Tax Act, the Corporation Tax Act and the Local Tax Act Incidental to Enforcement of Tax Treaties ("Act on Special Provisions," hereinafter) has been amended as part of the tax reform of **2015**, a system for financial institutions described in 1(1)a above ("Reporting Financial Institutions," hereinafter) to report information described in 1(1)c above to the district director was adopted. The system will come into force on January 1<sup>st</sup>, **2017**, and the first report shall be submitted by the reporting financial institutions by April 30<sup>th</sup>, **2018**.

In terms of financial accounts maintained by reporting financial institutions opened on or after **January 1st, 2017** ("New Accounts," hereinafter), upon account opening, those who open a financial account with a reporting financial institution must fulfill the following responsibility defined in (1) below, and in terms of financial accounts maintained by reporting financial institutions as of **December 31<sup>st</sup>, 2016** ("Preexisting Accounts," hereinafter), each reporting financial institution must fulfill the following responsibility defined in (2) below.

## [JAPAN]



### (1) Submission of self-certification for new accounts to reporting financial institution (On or After January 1<sup>st</sup>, 2017)

In terms of new accounts, those who open a financial account with a reporting financial institution through its business office, upon account opening, must submit a self-certification which indicates the name, address or location of head office or main business establishment, jurisdiction of residence, foreign taxpayer identification number (\*), etc. to the head of the business office of the reporting financial institution, according to first half of (1) of Article 10-5 of the Act on Special Provisions.

\* Japanese Individual Number (nicknamed "My Number") is exempt from reporting.

### (2) Procedure of determining jurisdiction of residence by reporting financial institution for preexisting accounts

In terms of preexisting accounts, each reporting financial institution must identify the jurisdiction of residence of each holder of preexisting account based on the record in its possession before **December 31<sup>st</sup>, 2018** (\*), according to (2) of Article 10-5 of the Act on Special Provisions.

\* There are exceptions, such as time limit of **December 31<sup>st</sup>, 2017** in case the account balance or value as of **December 31<sup>st</sup>, 2016**, exceeds JPY100-million.

### (3) Filing of reportable information to the district director by reporting financial institution

In case new accounts and preexisting accounts maintained by each reporting financial institution are subject to reporting as of **December 31<sup>st</sup>** of that year, such reporting financial institution must report the name, address or location of head office or main business establishment, jurisdiction of residence, foreign taxpayer identification number, and account balance or value of the contract, income from investment, possession, or transfer of the asset, etc. regarding each holder of new account or preexisting account to the district director of the location of head office of the reporting financial institution by **April 30<sup>th</sup>** of the following year, according to (1) of Article 10-6 of Act on Special Provisions.