Quick Guide: Automatic Exchange of Information – information for account holders

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What will this guide tell me?
This guide explains why your account provider (bank, building society, insurance or investment firm) may ask you to provide certain information about yourself and your tax residence status. This is happening as a result of agreements made between the UK and other countries to help tackle tax evasion. The agreements allow sharing of information between the tax authorities of different countries about a wide range of financial accounts and investments and your account provider may ask you for information to help with this.

Who is affected?
Mostly people who open or already hold a bank or building society account. You may also be affected if you acquire or already hold investments through an insurance or investment firm, or are a trustee of or have an interest in some types of trusts.

How you are affected will depend on whether or not you are a ‘UK resident’ for tax purposes. Most people who were born or have lived in the UK for a long time and work here will be UK tax residents. Others who spend a lot of time living or working outside of the UK may be a tax resident of another country, or they could be a tax resident of more than one country. If you are unsure, see under ‘further help’ below.

If you are a UK tax resident and you hold an account in another country then HMRC will receive information about you. This will include details about account balances and sums paid to accounts (for example, interest and dividends, or from the sale of investments). Find out what you need to do if you have undisclosed offshore income.

If you are a tax resident of another country with which the UK has agreed to exchange information then your account provider will forward information about your account to HMRC, and HMRC will pass the information to your country of tax residence.

A list of the other countries who have agreed to share information can be found at http://www.oecd.org/tax/transparency/AEOI-commitments.pdf.

What do I have to do?
Accounts held in your name
If you open an account in the UK you will be asked to tell the account provider where you are resident for tax purposes. You will also be asked for your tax identification number – if you are a UK tax resident you should provide your National Insurance number. If you are a tax resident of another country this will be the number assigned to you by that country’s tax authority. In some cases you may also be asked to provide your date and place of birth.

You might also be contacted by your account provider if it holds information, such as a foreign correspondence address, that indicates you could be a non-UK tax resident for accounts that were already open as at 30 June 2014. If so, they will ask you to confirm your tax residence status.

Accounts you open in the name of a company, branch of a foreign company, partnership or trust (referred to as ‘Entity Accounts’)

You will be asked questions regarding the tax residence status of the entity, and in some circumstances for details of individuals who control the entity or who are the beneficiaries of a trust. There’s further information below if you need it.

Responding to questions from account providers

It is important that you respond if you are contacted by your account provider requesting information in relation to an account that you hold (for example, you may be asked for a self-certification of your tax residency status). If you do not respond, the account provider may conclude that you are tax resident in another country based on information it already holds and forward your financial information to HMRC anyway. It may also refuse to open new accounts for you.

You should always ensure that enquiries are genuine and not an attempt to fraudulently obtain your personal information (often referred to as a ‘phishing’ scam) - if you are not sure, check. You can find some advice on how to spot fraudulent activities by following these links –

http://www.actionfraud.police.uk/fraud-az-phishing
https://www.bba.org.uk/landingpage/know-fraud/

There is some standard information that account providers already have to ask for under current rules, for example, those aimed at preventing money laundering. Each account provider may choose to design its own form to collect this information or in some cases use an industry standard form, or it may simply be requested as part of an account opening process.

It’s important to note that your account provider will not be able to provide tax advice to you (for example, on your tax residence status) and it is your responsibility to provide accurate information in response to requests for self-certification. If your tax affairs are complicated you may wish to ask a tax adviser to help you.

Is there anything else I need to know?

For most people this is all you need to know. But if there’s anything you don’t understand or you just want to know more, then see under ‘further help and information’ below.

Further help and information

What information will be shared under the agreements?

Information collected by UK financial account providers will be sent to HMRC. HMRC will share information with the tax authority of another country (where we have an agreement in place to do so) if the account is held by one of their tax residents. In turn, HMRC will receive information about UK tax residents who hold accounts outside of the UK. This is summarised below.
The information to be reported in respect of each account will be:

1) Name
2) Address
3) Date of Birth
4) Place of Birth
5) Tax Identification Number (TIN) (where applicable)
6) The account number
7) The name and identifying number of the account provider
8) The account balance or value as of the end of the calendar year or other appropriate period.
9) Interest, dividends, and the gross amount of other income or the proceeds from the sale or redemption of investments paid or credited to the account.

Use of your data

The agreements that the UK makes with other countries include terms that require that all data is held and transmitted securely, is treated as confidential and can only be used for the proper purpose of ensuring tax compliance.

Entity accounts (those held by a company, branch of a foreign company, partnership or trust) – further information

Account providers have to identify accounts that are held by non-UK tax resident entities, and report account details to HMRC who will then share the information with the country of residence. For example, if Bank A holds an account for a French tax resident company, the bank will report account information to HMRC who will then share the information with the French tax authority.

Account providers also have to identify non-UK tax resident controlling persons of some types of entities (passive entities) who hold accounts. Entities are referred to as either ‘active’ or ‘passive’ Non Financial Entities (NFEs). (For the UK / USA agreement only they are referred to as Non Financial Foreign Entities – this can be confusing, because the term includes all UK tax resident entities as well as foreign ones). Don’t worry about the terms used, what you need to know is set out below:

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<table>
<thead>
<tr>
<th><strong>Tax residence of account holder</strong></th>
<th><strong>Location of financial account</strong></th>
<th><strong>Information reported</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK resident</td>
<td>UK</td>
<td>None*</td>
</tr>
<tr>
<td>UK resident</td>
<td>Outside of UK</td>
<td>HMRC will receive financial account information from the tax authority(ies) of the country(ies) where the account(s) is/are located**</td>
</tr>
<tr>
<td>Non-UK resident</td>
<td>UK</td>
<td>HMRC will receive financial account information and pass it the tax authority(ies) of the countries where the account holder is tax resident**</td>
</tr>
</tbody>
</table>

* Information may still be reported under the UK’s domestic reporting rules
** Where the UK has entered into an agreement with the country(ies) or where there is a European Union requirement to do so
Passive NFEs are those whose income is at least 50% derived from ‘passive income’ (for example, dividends, interest, rents or patent royalties), and whose assets are mainly assets that generate such income.

Active NFEs are anything else - this would therefore include most trading entities such as building companies, retail companies, service companies and so on.

Account providers will have to report the details of any non-UK tax resident controlling persons of any passive NFE (including UK resident companies) to HMRC. HMRC will then share the details of those persons with the appropriate tax authority(ies) of the residence country(ies).

Example: Invest Co, a UK tax resident investment company, holds an account with Bank A. All of Invest Co’s income comes from interest and dividends so it a passive NFE. Its shares are held by Mr S who is tax resident in Italy. Bank A will have to report the fact that Mr S is a non-UK tax resident controlling person of Invest Co to HMRC, who will in turn share that information with the Italian tax authority.

Trusts

Trusts may be affected in one of two ways. A trust may be within the definition of a ‘financial institution’ (what this guide refers to as an account provider) – if so, they will be required to report details for those who hold an interest in or control the trust. This typically applies to trusts whose assets are mainly financial assets and that are either professionally managed or have appointed a discretionary fund manager.

Trusts that do not come within the definition of a financial institution, such as family trusts which invest in retail investment products, may still be affected. This is because account providers with which such a trust holds an account (this could be a bank account or an investment account) will be required to report details of ‘controlling persons’ (settlers, beneficiaries and trustees). So, if you are a trustee or otherwise manage the affairs of a trust you may be asked to provide information about the trust, including whether it is ‘active’ or ‘passive’ (see under ‘Entity accounts’ above). The trust will not have any reporting obligations of its own, though.

Tax residence

For most people and entities it will be clear whether they are a tax resident of a particular country (for example, if you were born in and have always lived and worked in the UK then you will be a UK tax resident; similarly UK incorporated companies who only trade in the UK will be UK resident). But it is not always so clear cut and you may be tax resident in more than one country.

If you are or think you may be a US citizen or tax resident (for example, because you were born in the USA) you may wish to seek advice from the US Internal Revenue Service or a tax adviser.