

IGOR – Project Update (25 November 2014)

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Background

Over the coming years there are a number of reporting regimes which will be implemented and below is a brief synopsis of each of the regimes:

Inter-Governmental Agreement with the US (FATCA)

This is an Inter-Governmental Agreement (“IGA”) between Guernsey and the US, which was signed on 13 December 2013, the purpose of which is to bring into effect the provisions of the Foreign Account Tax Compliance Act (“FATCA”). FATCA is a lengthy and very complex piece of US legislation aimed at reducing tax evasion by US citizens. It requires financial institutions (“FIs”) outside the US to pass information about their US customers to the Internal Revenue Service (“IRS”). A 30% withholding tax will be imposed on the US source income of any FI that fails to comply with the FATCA obligations.

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Although the principle of the automatic exchange of information under a bilateral agreement is not new for Guernsey (as Guernsey has previously signed bilateral agreements with the 28 EU Member States bringing into effect the provisions of the EU Savings Directive, which, for Guernsey, from July 2011, moved to full automatic exchange of information), the provisions of FATCA reach far wider (in that a financial institution can include banks, brokers, fiduciaries, fund managers and insurance companies and the reportable details are not restricted to solely "interest" or "sale proceeds" (as they are with EUSD), instead FIs will be required to provide details of account balances, income which has arisen in the account, which encapsulates interest, dividends or anything else of an income nature and the gross sale proceeds of property which have been paid or credited to the account.

The US IGA is available on the Income Tax Office webpages of the States of Guernsey website using the following link: [US IGA](#)

This webpage also includes a copy of the Income Tax (Approved International Agreements) (Implementation) (United Kingdom and United States of America) Regulations, 2014. These are the domestic regulations, made by the Treasury and Resources Department, which set out the basis of the reporting regime under the IGAs.

In addition to the above, the same webpage also includes the Guidance Notes issued by the Director of Income Tax, which provides practical guidance regarding the obligations placed upon Guernsey FIs.

In accordance with the provisions of the US/Guernsey IGA, the Director of Income Tax will make the first exchange of information with the IRS by 30 September 2015 (relating to calendar year 2014 information). In view of this timeframe, Guernsey FIs will be required to make their first report to the Director of Income Tax on, or before 30 June 2015.

Under the US IGA there is a requirement for the FATCA information to be reported in a specific format that involves a specific computerised template (a XML "schema"). For the purposes of the US IGA, the Director will require Reporting Guernsey FIs to use the schema published by the IRS. A copy of the schema, and relevant guidance, can be found using the following link: [US Schema](#).

Inter-Governmental Agreement with the UK (FATCA-type agreement)

This is a similar FATCA-type IGA ("UK IGA") which was signed with the UK on 22 October 2013.

A copy of the UK IGA is available on the Income Tax Office webpages of the States of Guernsey website using the following link: [UK IGA](#)

The US IGA is reciprocal, in a somewhat limited manner, whereas the UK IGA is completely reciprocal, therefore, the Director of Income Tax (as Competent Authority) will be receiving FATCA-type data from UK Financial Institutions, in respect of Guernsey residents, with effect from 30 September 2016.

One significant difference between the UK IGA and the US IGA is that the UK IGA includes, in Annex IV, provisions for an Alternative Reporting Regime ("ARR"). This ARR applies only to UK Resident

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Non-Domiciled (“RND”) individuals that have claimed the remittance basis of tax under Part 14, Chapter A1, Income Tax Act 2007.

The ARR is elective by both the Reporting Guernsey FI and the RND, if the relevant conditions are met, the ARR significantly amends the information that the Reporting Guernsey FI is required to report.

Under the UK IGA there is a requirement for the FATCA information to be reported in a specific format that involves a specified schema. The Director will, therefore, require Reporting Guernsey FI to use a specific UK IGA schema, which will be published in due course. It is intended that this schema will also include the ability to report information under the ARR in respect of RNDs.

Common Reporting Standard

In addition to the IGAs signed with the US and UK, Guernsey committed to participation in a G5 pilot, which was then adopted by the G20 and the OECD, and which has now been termed the “Common Reporting Standard” (“CRS”). The CRS is now the model for the newly adopted global standard in respect of automatic exchange of information for tax purposes. This instrument seeks to enhance the network of FATCA-type IGAs to an ever increasing number of countries (51 jurisdictions, including Guernsey and the other UK Crown Dependencies and Overseas Territories, signed a Multilateral Competent Authority Agreement, comprising the CRS, in Berlin on 29 October 2014).

The OECD model CRS can be found on the Income Tax Office webpages of the States of Guernsey website: [CRS](#)

Interest Received Interest Paid (“IRIP”)

As part of the ongoing initiative to increase efficiency in the Tax Office and to reduce the burden on taxpayers having to submit annual returns, the Director is seeking to enhance the information the Income Tax Office receives automatically (which is currently restricted to details of income from employment, occupational pensions, retirement annuities and the distribution of profits from companies to their beneficial members).

The Director has been investigating the automated reporting, by Guernsey institutions, of details of interest received from, and interest paid to, Guernsey resident taxpayers (which for tax purposes includes residents of Alderney and Herm) to the Director. This project is known as “IRIP”. It is intended that this information will then be processed by the Income Tax Office both to facilitate the more efficient issue of assessments and to reduce the number of people asked to complete tax returns each year.

In December 2013 the States approved the proposals, therefore, institutions carrying on banking business in Guernsey (as defined in the Fourth Schedule of the Income Tax Law) will be required to provide to the Director information regarding interest paid to Guernsey residents, in respect of bank and savings accounts and interest received from Guernsey residents in respect of mortgage accounts

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on an annual basis. It is intended that, ultimately, this information will be submitted to the Director via IGOR.

Further information concerning the IRIP regime is intended to be published in the near future.

General

In order to enable FIs to meet their obligations for the various reporting regimes being implemented in the coming years, the Income Tax Office is introducing a bespoke software solution known as the Information Gateway Online Reporter (“IGOR”). This piece of software will allow for the online submission of any electronic returns required to be submitted to the Director of Income Tax under the following regimes:

- US IGA
- UK IGA
- CRS
- IRIP

A Report will take the form of one or more digital files submitted from an FI for a Reporting Period.

An electronic Report, submitted through IGOR, as described below, is the only accepted means of complying with the above mentioned reporting regimes.

It is intended that the IGOR software be introduced in phases to comply with the deadlines associated with the various reporting regimes, the first of which being the submission of the FATCA reports in line with the US IGA. As a consequence, whilst not all of the functionality described in this document will be available at the initial release, the purpose of this document is to provide FIs with an overview of what the reporting system is expected to provide for each respective reporting regime.

Also, please note that whilst this document is accurate at the time of release, as the software is currently still being built, the final product may be slightly different to the details mentioned below. In that event, the final documentation provided with IGOR will provide an update.

Registration

Before any returns can be submitted, the reporting FI will be required to register with the IGOR software and indicate which reporting regimes they will be submitting returns for (i.e. US IGA, UK IGA, CRS, IRIP, or a combination of these).

Required information for this registration will include the name of the FI, an email address, contact name, telephone number, GIIN (where applicable) and address. Please note that multiple FIs can be attached to the same registration.

For the purposes of registration in respect of the US IGA, the name of the FI, and the GIIN will be selected from a FATCA list taken from the US registration prior to the go-live date for IGOR. This information will then prepopulate during registration requiring only the additional details (email address, contact name and address) in order to finalise registration.

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In the event that the FI has entered into a contractual relationship with a sponsoring entity, IGOR will enable the sponsoring entity to make a report on behalf of the FI.

Following registration, an authorisation code will be transmitted to the FI prior to full access being enabled to IGOR. The registration process will also result in the FI being allocated an “FI number” which should be used in all communication with the Income Tax Office regarding any of the reporting regimes covered by IGOR.

All FIs will be verified by the Income Tax Office before registration can be completed.

FATCA Registration (US IGA specific)

In order to register for reporting under the US IGA the FI must first be registered with the IRS and have been issued a GIIN (Global Intermediary Identification Number).

If you are unsure as to whether an entity should be registered with the IRS please refer to, the published [Guidance Notes](#) issued by the Director, [IRS website](#) or seek legal advice.

If you need to register with the IRS but have not yet done so, or are unsure how to register, please visit the [IRS FATCA Registration website](#) and complete their registration process. A complete listing of registered FIs can be found [here](#).

FI Registration will be available from January 2015 when the software is released live to all FIs, test submission functions, including file validation, will also be available from January 2015.

Once online registration has been completed, it will be reviewed and processed by the Income Tax Office, and either accepted or rejected. Only once registration has been approved, will the FI be able to submit reports for any of the reporting regimes.

On approval of the registration, an automatic email will be sent to the FI confirming their successful registration.

If a registration is rejected for any reason, an email will be sent to the FI advising them of the reason.

In addition, FIs will have the option to de-register from IGOR, or from one or more of the specific reporting regimes on the occasion where there will no longer be a reporting requirement for that FI in relation to the regime(s).

All Other Registration

All other registrations for reporting regimes excluding US FACTA will be approximately the same as the above, with the exception that this will not be tied to the GIIN and the FATCA list taken from the US registration.

Where there is the requirement to register for regimes other than US FATCA, this will be brought online at a later stage.

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FI Online User Management

Once registered, all users for an FI will be able to manage users (add and remove users for that FI), add multiple FIs, view Report submission history, remove submissions (provided they have not yet been forwarded to the IRS), make submissions.

Other functions

IGOR will also have a system in place which will allow the Director of Income Tax to correspond with the FI, enabling reminders to be sent as well as any updates on reporting requirements. This communication would be by email via a secured online system sent to the FI informing them of any correspondence available to be viewed on IGOR.

This same communication system should be used if an FI needs to correspond with the Director on matters concerning IGOR or the relevant reporting regime(s).

Report Submission / File Upload

US IGA (FATCA) Reporting overview

The Digital file must be in the XML file format prescribed by the IRS. This is presently FATCA Schema version 1.1 and is available to download from [the IRS website](#). Please note this format may be updated from time to time by the IRS and it is your responsibility to ensure you are producing files that conform to the current version.

UK IGA / CRS / IRIP Submissions

There is no set format for submissions made under these regimes at present, however for consistency purposes in due course the Director of Income Tax will be mandating that these files are submitted in a prescribed XML file format. These schemas have not yet been created, but will be similar in nature to the published IRS FATCA schema, and will be released as soon as they are available.

File Upload

The Director of Income Tax's prefers and recommends that all data for a Report is uploaded in a single file, or as few files as possible.

There will be two options to enable the submission of the XML file:

- Submission using the IGOR API
- Submission using the IGOR web interface

Further information regarding both these submission methods will be provided once more of the software has been built.

All files uploaded will be validated against the current schema for the relevant reporting regime (at the stage of uploading the data into IGOR) and will not be accepted if validation fails. A response will be given to the FI either confirming that the upload was successful or error messages will explain

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what prevented its acceptance. It will not be possible for the FI to submit a report which does not meet the relevant schema requirements. Once a file is accepted, a unique receipt number will be provided confirming that.

Please note that any file uploaded after the deadline date for submission of that Reporting Period may be considered to be a late submission and may be subject to penalties.

Submission History

The IGOR software will provide details of all reports that have previously been made for any FI you have access to. You will be able to see a list, starting with the most recent, of all files that have been uploaded and accepted by the Income Tax Office. You will also be able to see any attempts for file upload that were rejected due to validation issues, along with the reason(s) why they were rejected.

Removing Submissions

If you are logged in as an Administration User, you will have the option to remove a prior submission provided the date of removal is before the submission deadline date for the Reporting Period of the file.

This means that prior to the deadline you will have the option to replace an erroneous file or a file containing erroneous records. After the deadline you should assume that the file has been processed by the Income Tax Office and forwarded to the IRS. The only way to amend information after the deadline date has passed will be by the submission of a replacement, correcting or repairing XML file (see the IRS [FATCA schema user guide](#) for details of how to do this).

Late Submissions

Any file received after the deadline of 30 June in respect of FATCA submissions for the Reporting Period stated within the XML will be considered to be a late submission and may attract a penalty in accordance with Sections 5 and 6 of [The Income Tax \(Approved International Agreements\) \(Implementation\) \(United Kingdom and United States of America\) Regulations, 2014](#) which currently is an initial penalty of up to £300 followed by daily penalties of up to £50 for each day the information remains outstanding. The Regulations also enable the Director of Income Tax to refer any FI, who has failed to meet their filing obligations, to HM Procureur for consideration of prosecution.

As files cannot be removed after the submission deadline, it is extremely important to ensure the Reporting Period of the XML is correctly set in all instances.

The same penalties and potential referral to HM Procureur exists in respect of the late submission of reports under the UK IGA and it is expected similar provisions will apply in respect of the CRS regime.

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Changing a Report Submission

FATCA Reports

Adjusting incorrect returns before the submission deadline of 30 June for the Reporting Period stated within the XML, can be achieved through the following two methods:

- an FIs Administration User may navigate to the Submission History page, delete it, and then upload a replacement OR
- A correcting / repairing XML file or files may be uploaded. Please see the [IRS FATCA schema user guide](#) for details of how to do this. Referential integrity errors within one or more correcting files may result in investigation by the IRS and / or the requirement to resubmit.

After the submission deadline of 30 June for the Reporting Period stated within the XML, you cannot delete any submitted file, you only have the option to submit a replacement, correcting or repairing XML file or files as described under “Late Submissions” above.

Test Submissions

FIs will be given access to a validation tool where they can check the validity of the XML formatting of their submissions. In addition, ‘test’ FIs may be created within the IGOR software to facilitate testing of system integrations with the IGOR API. Reports submitted for test FIs will never be forwarded to the destination country.

The Income Tax Office will not be held responsible or have any liability whatsoever if any actions or responses of the validation tool or test submission mechanism causes the FI to breach its obligations under the Regulations.

Manual and guides

A manual for IGOR will be made available in both physical and online readable format. Additionally a help system will be incorporated into the design of the software.

A users forum has been created to accompany the software which will be open to all FIs with a view to enabling FI’s and / or their software developers to ask technical questions relating to IGOR, which in turn with then form the basis of developing FAQs to assist other FIs. The site is located [here](#)

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Further Information

Income Tax Website:

<http://www.gov.gg/international-agreements>

IRS FATCA Resources website:

<http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA>

IRS FATCA Registration website:

<http://www.irs.gov/Businesses/Corporations/FATCA-Foreign-Financial-Institution-Registration-Tool>

Complete listing of registered FIs:

<http://apps.irs.gov/app/fatcaFfiList/flu.jsf>