

CBDT notifies deadline for completion of FATCA due diligence in respect of certain new account holders

In 2015, the Indian revenue authorities amended the Income-tax Rules, 1962 (Rules) to legislate the framework of Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) reporting in India. Rules 114F to 114H and Form 61B were enacted to provide a legal basis to the Reporting Financial Institutions for maintaining and reporting information about the Reportable Accounts.

As per Rule 114H(8), the Financial Institutions were required to obtain self-certification and complete due diligence for new accounts opened during the period 01 July 2014 till 31 August 2015 by 31 August 2016.

Since there were several difficulties faced by different stakeholders in complying with the self-certification requirements for the above accounts, the Central Board of Direct Taxes (CBDT) had clarified on 31 August 2016 that the above deadline shall be extended up to a further period to be notified in due course and directed the financial institutions to continue to work on completing the required due diligence in the interim.

In continuation of the above, CBDT has issued a press release dated 11 April, 2017 advising financial institutions to reach out to account holders and obtain pending self-certification forms latest by 30 April, 2017. In case, the same are not provided by the respective accounts by such date, the financial institution would be required to block the account of such account holder and the account holder should be prohibited from carrying out any transactions from such account until submission of the self-certification form and completion of due diligence on the part of the financial institution.

PwC comments

While we understand that a number of FATCA/ CRS related initiatives on obtaining self-certifications, for all new accounts (individual and entity opened during the period of 01 July 2014 to 31 August 2015), have been underway amongst various Financial Institutions, the above directive puts a very tight timeline around ensuring compliance for those cases where self-certifications are still pending. Non-compliance by the customer would have implications in the form of blocking of customer accounts, which will have a significant impact on customer experience, especially given the fact that each of these customers would be high value customers of the Financial Institutions (Banks, Insurance Companies, Mutual Funds). While we are sure that the self-certification exercises would be completed by each of the Financial Institutions, we expect the regulators (Reserve Bank of India/ Securities and Exchange Board of India/ Insurance Regulatory and Development Authority) to pick this up as an area of thematic review during their inspections. Hence, it would be important for the organisations to evaluate the quality of compliance in this domain by ensuring quality of documentation, validation of know your customer, review of customer classification and identification of reportable accounts.

We are in constant discussions with the regulators to further demystify the next steps and believe this is the final call from the regulators to ensure compliance with the requirements of the law.

Also, this will be first year of reporting for Indian Financial Institutions under the CRS which will require robust systems to be in place and also require diligent interactions with customers to complete remediation.

In order to facilitate Financial Institutions with global presence to gain a better understanding of the implementation and compliance requirements of FATCA and CRS reporting across the globe, we present to you [PwC's Customer & Investor Tax Transparency \(CITT\) Compare Tool](#).

If your interest lies in a specific area or subject, do advise us so we can send you only the relevant alerts. For any additional information, please reach out to your PwC relationship manager or write in to pwctr.knowledgemanagement@in.pwc.com

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