

Common Reporting Standard (CRS) for the Automatic Exchange of Financial Account Information

Background

The CRS was developed by the Organisation for Economic Cooperation and Development (OECD) to put a global model of automatic exchange of information into practice for the purpose of tax compliance. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.

More than 100 jurisdictions have committed to exchange the CRS information. Malaysia has committed to exchange the CRS information from 2018 and would also be receiving financial account information on Malaysian residents from other countries' tax authorities. This will help ensure that residents with financial accounts in other countries are complying with their domestic tax laws and act as a deterrent to tax evasion.

Legislation

Pursuant to section 132B of the Income Tax Act 1967 (ITA), CRS obligations are imposed on Malaysian Financial Institutions (MYFIs) through the operation of the Income Tax (Automatic Exchange of Financial Account Information) Rules 2016 (CRS Rules), Income Tax (Automatic Exchange of Financial Account Information) (Amendment) Rules 2017 (collectively referred to as "Rules").

Bank Negara Malaysia (BNM) has granted its approval for MYFIs to disclose any documents or information relating to the affairs of their customers to Inland Revenue Board of Malaysia (IRBM) for the sole purpose of facilitating the mutual administrative assistance arrangement in tax matters between the Malaysian Government with the government of any territory outside Malaysia pursuant to taxation arrangements having effect under section 132B of the ITA and in accordance with the Rules.

Obligations of Malaysian Financial Institutions

Under the CRS, Sumitomo Mitsui Banking Corporation Malaysia Berhad is required to collect and report to IRBM, financial account information on non-residents. IRBM will exchange this information with the participating foreign tax authorities of those non-residents.

For further information on "Automatic Exchange of Information (AEOI)", please visit the official portal of the Inland Revenue Board of Malaysia.