

**Tax Transparency**

Governments worldwide, within the context of combating tax evasion, improving tax transparency and protecting the reliability of the tax system, require financial institutions to collect tax information from their customers and report this information to relevant tax authorities of each country.

The Foreign Accounts Tax Compliance Act, known as the FATCA, was imposed by the USA and came into force in July 2014. Its aim is to detect, deter and discourage offshore tax evasion by U.S. citizens or residents, who either directly or indirectly, invest outside the USA through foreign financial institutions.

Several countries, including Kuwait, signed an Intergovernmental Agreement with the USA (IGA), to facilitate the implementation of FATCA provisions by financial institutions in their jurisdictions. Kuwait agrees to report to the US Internal Revenue Service (IRS) specified information about the U.S. accounts maintained by all relevant (foreign) Financial Institution (FFIs) located in Kuwait.

Kuwait International Bank, being an FFI, complies fully with the provisions of FATCA. Therefore, Kuwait International Bank has registered with the IRS and has been assigned Global Intermediary Identification Number: (GIIN)  
TA6WN7 99999 SL 414

KIB Identifies U.S. accounts pursuant to due diligence rules and reports specified information about the U.S. accounts to Kuwait tax authorities, which in turn, report such information to the IRS on an automatic basis.

The common Reporting Standard (CRS), formally referred to as the Standard for Automatic Exchange of Financial Account Information and approved by the Organization for Economic Cooperation and Development (OECD), calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis.

CRS sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and tax residents covered, as well as common due diligence procedures to be followed by financial institutions.

Several countries, including Kuwait, have adopted the CRS, with the number of participating countries constantly increasing. A full list of the committed participating jurisdictions can be found at the link:  
([HTTP://WWW.OECD.ORG/TAX/TRANSPARENCY/AEOI-COMMITMENTS.PDF](http://www.oecd.org/tax/transparency/aeoi-commitments.pdf))

Kuwait has entered into a Multilateral Competent Authority Agreement (MCAA) to improve international tax compliance with respect to mutual assistance in tax matters. The MCAA is a multilateral framework agreement that provides a standardized and efficient mechanism to facilitate the automatic exchange of information in accordance with CRS.

Kuwait International Bank complies fully with the CRS. Therefore, Kuwait International Bank follows due diligence rules to collect financial information that underpin the automatic exchange. Such information is reported to Kuwait tax authorities, which in turn, reports such information to other local tax authorities.

**WHEN AND WHAT WILL YOU REPORT?****FATCA**

As a Foreign Financial Institution, the Bank is required to disclose details of all "U.S. Reportable Accounts" held on its books.

**Individual**

The information that must be provided includes:

1. The name, address and U.S. Taxpayer Identification Number ("TIN") of each account holder.
2. The account numbers.
3. The year-end account balance or value (31st December 20xx); and Certain amounts and proceeds received in the account as required under FATCA.

**Entities**

For Entities holding accounts with the Bank, the disclosure is not only limited to the Entity, but will also apply to any of its U.S. Controlling Persons (in the case of a Passive Non- Financial Foreign Entity ("NFFE").

The information that must be provided includes:

1. The name, address, and the Employer Identification Number ("EIN") of each reportable account holder.
2. The name, address, and TIN (if any) of each substantial U.S. owner of such entity.
3. The account numbers.
4. The year-end account balance or value (31st December 20xx); and Certain amounts and proceeds received in the account as required under FATCA.
5. In addition to the above, in case the entity is an Account Holder and is identified as having one or more Controlling Persons who are Reportable Persons, the reporting Financial Institution is required to disclose:
  - i. The name, address, jurisdiction(s) of residence, and Taxpayer Identification Number(s) ("TIN") of the entity; and
  - ii. The name, address, jurisdiction(s) of residence, Taxpayer Identification Number(s) ("TIN") and date and place of birth of each Controlling Person who is a Reportable Person.

## CRS

To be compliant, a reporting Financial Institution is required to disclose details of any Account Holder who is a Reportable Person, i.e., who falls under the scope of CRS.

### Individual

The information that must be provided includes:

1. The name, address, jurisdiction(s) of residence, Taxpayer Identification Number(s) ("TIN") and
2. the date and place of birth;
3. The account number(s);
4. The year-end account balance(s) or value (31st December 20xx) or, if an account was closed during the year, a "0" balance for that account; and Certain amounts and proceeds received in the account as required under CRS.

### Entities

The information that must be provided includes:

1. The name, address, jurisdiction(s) of residence, and Taxpayer Identification Number(s) ("TIN") of the entity.
2. The account number(s);
3. The year-end balance or value (31st December 20xx) of each account or, if an account was closed during the year, a "0" balance for that account; and
4. Certain amounts and proceeds received in the account as required under CRS.
5. In addition to the above, in case the entity is an Account Holder and is identified as having one or more Controlling Persons who are Reportable Persons, the reporting Financial Institution is required to disclose:
  - i. The name, address, jurisdiction(s) of residence, and Taxpayer Identification Number(s) ("TIN") of the entity; and
  - ii. The name, address, jurisdiction(s) of residence, Taxpayer Identification Number(s) ("TIN") and date and place of birth of each Controlling Person who is a Reportable Person.

We will be communicating with affected customers in detail on these requirements.

### WHAT SHOULD I DO IF I DO NOT KNOW HOW TO COMPLETE THE FORMS?

You may find more information on how to determine tax residency by visiting the OECD website on the following link:  
[HTTP://WWW.OECD.ORG/TAX/AUTOMATIC-EXCHANGE/CRS-IMPLEMENTATION-AND-ASSISTANCE/ TAXRESIDENCY/](http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/taxresidency/)

If after reading the FAQs and accompanying instructions on the forms, you are unsure of your tax residency status please contact a professional tax advisor.

### WHAT HAPPENS IF I DO NOT COMPLETE THE FORMS OR DO NOT PROVIDE THE REQUIRED INFORMATION?

The Bank may be obligated to decline any requests for new accounts, and decline any further transactions for existing clients that do not provide a completed form and applicable documentation. Generally, all new clients are expected to provide the relevant forms to open any new financial account with the Bank. If you do not respond to the Bank's request for a form and depending on the details on your record, the Bank may need to treat your account as a reportable account.

### WHAT IS THE DIFFERENCE BETWEEN COUNTRY OF RESIDENCE AND TAX?

The criteria of tax residency may be different from one country to another. For individuals, tax residence in a country can be based on a number of factors such as Nationality, number of days you spend in a country, place of work, accommodation and financial interests.

For example, in a large number of countries an individual's tax residency is based on the number of days that he/she has stayed in the country. An individual is said to be resident in the country if he/she is in the country for more than 180 days in any fiscal year.

Typically, an individual will be resident for tax purposes in only one country (the country in which they live). Some individuals can be tax resident in more than one country.

### WHAT IS THE DIFFERENCE BETWEEN ACTIVE AND PASSIVE Entity?

The general rule is that a Passive Entity is an Entity that is not an Active Entity. The definition of Active NFE/NFFE essentially excludes entities that primarily receive passive income or primarily hold assets that produce passive income (Ex; dividends, interest, rents etc.), and includes entities that are publicly traded (or related to a publicly traded Entity), Governmental Entities, International Organizations, Central Banks, or holding NFEs of nonfinancial groups.

An exception to this is an Investment Entity that is not in a Participating Jurisdiction Financial Institution, which is always treated as a Passive NFE.

The OECD definition of Active/ Passive entities:

#### Active NFFE

An entity is an Active NFE/NFFE if it meets any of the criteria listed below:

- Active NFEs by reason of income and assets.
- Publicly traded NFEs.
- Governmental Entities, International Organizations, Central Banks, or their wholly owned.
- Holding NFEs that are members of a nonfinancial group.
- Start-up NFEs.
- NFEs that are liquidating or emerging from bankruptcy.
- Treasury centers that are members of a nonfinancial group or Non-profit NFEs.

#### Passive NFFE

Under the CRS/FATCA a "Passive NFE/NFES" means any NFE/NFES that is not an Active NFE.

In addition, Under CRS An Investment Entity located in a Non-Participating Jurisdiction and managed by another Financial Institution is also treated as a Passive NFE for the purposes of CRS.