

# Common Reporting Standard (CRS)

## Frequently Asked Questions (FAQS) – Tax Residency

### 1. How is an Individual's Tax Residency determined?

The criteria used to determine an individual's tax residency differs from one country to another.

For individuals, tax residency is determined on one or more factors, such as nationality, the number of days you spend in a country, place of work, accommodation, family ties, and financial interests.

For example, in India, an individual's tax residency is based on the number of days that he/she has stayed in the country. Generally, an individual is considered a resident in India, if he/she is in the country for more than 182 days in any fiscal year.

Typically, an individual is considered a resident for tax purposes in one country only (the country in which they live in). Some individuals can be regarded as tax residents in more than one country.

### 2. I live in a country that has no income tax system or the rate of income tax is 0%. How do I work out my country/countries of tax residency?

The amount of income tax you pay does not necessarily determine your tax residency status. Tax residency is based on the domestic rules of a country where you may be considered a tax resident, even though no income tax is paid or there is no income tax system.

Suppose you live in a country that does not charge income tax or no income tax regime exists; In that case you may still be deemed a 'resident person' of that country and therefore resident for tax purposes subject to meeting the applicable residency requirements.

For example, the UAE rules governing tax residence as hosted on the OECD Automatic Exchange Portal <http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/UAE-Residency.pdf> set out the criteria for determining UAE tax residency as follows.

'Resident Person' in the United Arab Emirates means;

An individual:

- a) Any United Arab Emirates National
- b) An individual who is resident in United Arab Emirates with
  - i. a valid Emirates ID and
  - ii. a valid Residency Visa

### 3. I am not currently employed and do not pay tax. I am unsure of my tax residency status - what should I do?

The country in which you are a "tax resident" is usually where you are liable to pay income tax, even if you are not required to pay any income tax if, for example, you are unemployed, a homemaker or a student and have no income that is subject to income tax.

### 4. I have read the FAQs and the CRS instructions on the Self Certification form and still do not know where I am a tax resident? What should I do?

The FAQs are intended to provide a general and high-level overview of tax residency for individuals and should not be used solely to determine your tax residency status. Your country/countries of tax residency is based on your own personal circumstances.

If you are unsure of your tax residency status after reading the FAQs and accompanying instructions on the CRS Self Certification, please contact a professional tax advisor. HSBC cannot provide tax advice.

For more information on how to determine your tax residency, visit the OECD website here:

<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency>

### 5. What happens if I do not keep you updated regarding changes to my information or if I refuse to give the information you requested from me?

Regulations based on the OECD Common Reporting Standard (CRS), require financial institutions like us to collect and report information about where our customers are tax resident. Under the CRS, we are required to determine where you are 'tax resident' (this is usually the place where you live) and we may ask you to provide a Self-Certification form. We will keep a record of this information on your file, however, if you hold an account in one country but are tax resident in a different county, we may be legally obliged to pass on this information to the tax authority in the country where the account is located. In the event we have contacted you to provide a Self-Certification Form to comply with CRS, but we have not received your form or may have received an invalid/inaccurate form, then we may be legally obliged to report your details to our regulators, which may lead to potential fines being imposed on you by the regulators.

### 6. Will I be levied with fines/penalties if I fail to submit a CRS form or provide inaccurate information?

Yes, if you fail to provide us a valid CRS form or if you provide us with a form containing incorrect/inaccurate information, we may be legally obliged to report your details to our regulators, which may lead to potential fines being imposed on you by the regulators.

