

Charities and Automatic Exchange of Information

HMRC has recently published new guidance about the UK's Automatic Exchange of Information (AEOI) agreements with other countries and how they affect UK charities. This is a really good time to find out about the new rules, and what they may mean for your charity.

Agreements between the UK and other countries to exchange financial accounts information are live. Charities that are financial institutions have reporting obligations under the AEOI agreements that came into effect from January 2016 with the first reports due by 31 May 2017. These rules form part of global strategies to combat offshore tax evasion.

Financial institutions are not limited to banks and building societies – they also include insurers, wealth and investment managers, trusts and some charities. Affected charities will be those whose main income is from investing in financial assets and where those assets are managed by a financial institution. If you think your charity could be affected, please review the guidance now to see whether you need to register and report.

Charities that are financial institutions will have to carry out due diligence checks on all their 'account holders' - for charities this is anyone with a debt or equity interest in the charity. Who holds an equity interest will depend on the structure of a charity. For charities that are formed as trusts then equity interests are held by all beneficiaries of the charity, so anyone that a grant making charity issues a grant to is an account holder.

Companies are affected differently with equity interests being held by any shareholders and others who have an interest in the profit or assets of the company.

The due diligence checks are to find out whether the account holder is tax resident in the UK or overseas. Where the charity has 'account holders' that are tax resident outside the UK, it may be required to report this information to HMRC to share with the tax authority where the account holder is resident. In exchange HMRC will receive information about UK tax residents with financial accounts and other interests overseas.

HMRC recognises that the information gathering and reporting obligations present a different challenge for charities than other financial institutions. This guidance has been developed in conjunction with the charities sector to put the rules into the context of charitable organisations. You may also find it useful in understanding the forms you may be asked to complete by financial institutions with which the charity holds accounts.

[IEIM400000 - International Exchange of Information Manual - HMRC internal manual - GOV.UK](#)

Contacts

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