

Mark Morris
CRS and CARF expert. No, truly. May 1, 2024 There is no rhyme or reason to exclude the owners of operational companies from the automatic exchange of

> Why did OECD exempt Active NFE from CRS? A: Crazy loons B: Help oil traders C: Help the wealthy D: Naive

information, especially if it's an untaxed entity.

• The OECD feebly attempts to tackle the exploitation of non-reporting of Active NFEs in its Mandatory Disclosure Rules to avoid CRS. • The OECD should rather update the CRS FAQ that if an entity is effectively untaxed, it cannot qualify as an Active NFE. • As a reminder, the prior AEoI rules in Europe was the EU Savings Tax Directive which

included any entity that was effectively untaxe, even if taxed at a very low rate. Seems theEU Commission was far ahead of OECD who blindly copy and pasted from FATCA.

No CRS reporting on the owners of Active NFEs -Why the heck not?

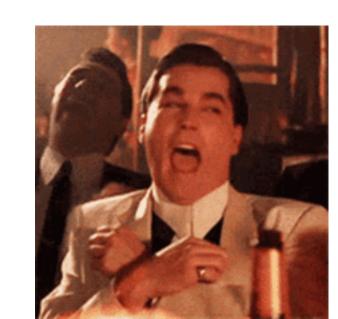


• There are no distinguishing features in the colour or smell of undeclared stash derived from Passive or Active NFEs. Tax evaders gleefully capitalize on untaxed Active NFEs not subject to automatic exchange of information concerning its controlling persons.

Unjustified CRS exemption

• The OECD claims it did not want to "overwhelm the exchange of information concerning legitimate businesses". • Legitimate, if established in a untaxed jurisdiction. Bwahhh ha ha, you dolts

Offshore untaxed business is legitimate?



 There is no excuse for exempting business owners that utilize nefarious untaxed companies to transact their businesses.

• Tax evasion by portfolio holders is just as criminal as undeclared business profits, commissions, consulting services, entertainer salaries, royalties, trading profits, property churning, and intellectual property.

• The EU Commission planned to extend the EU Savings Tax Directive amendments to include any entity not subject to effective taxation.

How to lie, steal, and cheat with Active NFEs



1. Embed investments: For example, Greek shippers embed and remit billions of investment income in their Marshall Island offshore companies. Why should the amount of passive

income not be reported? 2. Collusion with Financial Institution: Many banks assist their clients in being Active NFE simply because the company does active business or trade. This looks at the income test

but not the asset test. 3. Fake Intangible assets: Banks accepting IP makes a company an Active NFE type A. Banks have no clue that IFRS recommends internally generated IP expense, not an asset since cannot distinguish expenses that developed IP from operational expenses. Acquired IP

must be amortized – cannot grow unless show there is an active market. 4. Holding company: The account holder sets up a parent company to strip the underlying passive NFE of all its cash by way of dividends. The subsidiary will then be an Active NFE if it earns non-passive income, and the parent company qualifies as an Active NFE even if it just holds cash and earns 100% dividends because it's a holding company type D. Crazy.

5. More Holding company craziness: (1) A Parent trust company can be an Active NFE despite a holding company having a completely different purpose (2) A Parent company is an Active NFE if it holds subsidiaries that do business or trade even if the subsidiaries are not Active NFEs.

The list of categorizing as an Active NFE to avoid CRS goes on...

 Even if an entity is genuinely an Active NFE type [A], reporting Financial Institutions do not undertake annual confirmation if the cash balance has increased to over the 50% threshold to become a Passive NFE.

• The ubiquitous misunderstanding by Financial Institutions of which jurisdiction the Active NFE account holder information should be sent to. Deceitful trust companies fraudulently categorize professionally managed trusts

incorrectly as Active NFEs if they hold underlying business or trades, even though the trust should be a reporting Investment Entity • Single owner company listed on a stock exchange to be incorrectly classified as either a

non-reportable person or an Active NF with no reporting on controlling person, despite not meeting regularly traded criteria. • A variation of listing on stock exchange loophole is no AML identification of controlling persons as recommended by FATF and CRS.

Banks are in on this con game

 Many if not most banks, especially in Asia, as part of the CRS due diligence selfcertification process simply ask the client to confirm if the entity is an operational company, or does it have a factory or offices to undertake business operations. • If so, check the box as an active NFE no matter the proportion of cash or investment income

 They also help by ignoring the OECD FAQ that classifies cash as a asset that can generate financial income, even if it currently does not. Figging banks still go ahead and do not regard cash as a financial asset, making it easier to go with the con that an Entity is an Active NFE

How OECD should address the exploitation of no reporting of controlling persons of Active NFE

 An entity should not qualify as an Active NFE if it is effectively untaxed, just like the prior AEoI initiative in the EU, the EU Savings Tax Directive

