FATCA and CRS reporting: How CRS 2.0 and DAC 8 will impact fund managers

Global tax transparency networks and how private fund managers' report across investors and jurisdictions are constantly evolving and a major change is on the horizon. With less than 6 months to go before the first filing deadline [Stephanie Gray] explores some of the pertinent regulatory updates and how tax authorities' expectations are sharpening.

Outsourcing Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) reporting may reduce the operational burden, however it does not transfer regulatory responsibility. As tax authorities home in on policies, procedures and evidence of compliance, fund managers need to be confident they can demonstrate control over the full reporting process, not just rely on an annual filing.

Taking effect from January 2026, the Common Reporting Standard 2.0 (CRS 2.0) is the first major update to the CRS regulations since they were adopted in 2016. It expands on the scope of reportable assets, strengthening due diligence requirements and aligns with the digital finance regulatory framework, which is part of the tax transparency layer that is now being extended to cover digital assets. CRS 2.0 places emphasis on the whole scope of the CRS regulations not only on annual reporting.

The EU's Directive on Administrative Cooperation in taxation (DAC 8), which was adopted in October 2023 came into effect in January 2026, aims to close the tax transparency gap created by the decentralized and cross-border nature of crypto assets. It will enable the EU authorities to identify and tax income and gains (where applicable) from crypto asset transactions and it aligns EU rules with the Organization for Economic Co-operation and Development (OECD) Crypto Assets Reporting Framework (CARF).

For investment funds, CRS 2.0 and DAC 8 mean CRS reporting will become both broader and more evidence driven. Funds will need to capture additional reportable data points across equity and debt interests (and, where relevant, interests held through feeders, nominees or intermediaries), and strengthen how investor onboarding, transfers and remediation are documented, particularly around whether a valid self-certification is held and can be supported by the information on file. Practically, this is likely to drive changes to the oversight of service providers and distributors so that the fund can show end-to-end due diligence, not just produce an annual report.

In parallel, DAC 8 introduces an EU reporting regime for crypto-asset activities aligned to the OECD CARF. While not all fund structures will be directly in scope, groups with digital-asset strategies or related entities should assess classification, data sourcing and controls across both traditional CRS and crypto-asset reporting ahead of implementation from 2026 onwards.

What are the annual reporting requirements both existing and new?

When doing annual reporting, the financial institution must identify reportable financial accounts and prepare the report including them.

Which financial accounts are reportable?

The following financial accounts are reportable for FATCA:

- Specified U.S. Persons
- Passive Non-Financial Foreign Entities (NFFE) in respect of any controlling persons that are Specified U.S. Persons

The following financial accounts are reportable for CRS:

- Individuals from a CRS reportable jurisdiction
- Passive Non-Financial Entities (NFE), in respect of the entity themselves and any controlling persons from a CRS reportable jurisdiction
- Certain types of Active NFEs

What information is reported?

Depending on the reporting jurisdiction, additional information may be mandatory, but in general, the following fields are included in the annual reporting for each reportable financial account:

- Name
- Address
- Tax residency and taxpayer identification number (TIN)
- Account number
- Type of financial account
- Financial information (account balance at year-end and payments made during the reporting period)
- For Controlling Persons – name, address, tax residency and TIN and type of controlling person.

The following are new elements introduced to the annual report in CRS 2.0:

- Role of equity interest holders in a PMIE (Professionally Managed Investment Entity)
- Whether an account is new or pre-existing
- Whether a valid self-certificate is held for the account holder
- Whether the account is a joint account and if yes, the number of joint account holders
- The type of financial account e.g. equity/debt interest in an Investment Entity.

What happens to the information after it is reported?

Reporting is submitted to the tax authorities in the location where the financial institution is tax resident. The tax authorities will then perform sense checks or validations of the information and split the reportable financial accounts according to jurisdiction of their tax residency. If the sense checks reveal any discrepancies, they may follow up with the financial institution for further information or explanations. In Aztec’s experience, tax authorities are becoming more sophisticated in the checks they perform on submitted reports, therefore it’s more important than ever to ensure the correct level of care is taken when drafting and reviewing reports for submission.

Once processed, this will be forwarded to the relevant tax authority. For example, where a Luxembourg financial institution has reportable financial accounts from

France and Germany, they will submit their reporting to the Luxembourg tax authorities who will process this and forward the information on all the French tax resident financial accounts to the French tax authorities and the information on the German financial accounts to the German tax authorities. The exchange of information between tax authorities takes place by the end of September in the year following the reporting period.

The receiving tax authority will use this information to cross-check against other information held. One use of the information would be to validate tax returns submitted, to ensure that all relevant foreign income has been declared.

What are the future trends of FATCA and CRS for fund managers?

The trend is that countries are updating their FATCA and CRS legislation to include additional requirements. As fund administrators working across jurisdictions and tax authorities, we've noticed these broad trends in what these additional requirements are:

Focus on process documentation

Increased focus on financial institutions having their own policy and procedures even if their FATCA CRS obligations are outsourced to a service provider. This point is particularly emphasized in the CRS Technical Guidance issued by Revenue Jersey in March 2026. All financial institutions should ensure that these are reviewed regularly for completeness and that their management are aware of their responsibilities under the regulations.

In Luxembourg, CRS Reporting Financial Institutions are expected to maintain a "register of actions". This is a compliance record that shows the steps taken to meet CRS obligations. In practice, this should capture key actions and decisions across the end-to-end CRS process, such as entity classification, investor due diligence and remediation (including follow-ups for missing/invalid self-certifications), report preparation, approvals and submission. This is so that the financial institution can demonstrate compliance if requested by the tax authorities. This register should be kept up to date and retained in line with local requirements (commonly referenced as a 10-year retention period).

Nil returns and mandatory registration

If the financial institution does not identify any reportable financial accounts, a nil return can be submitted to confirm this. When FATCA and CRS was first implemented, nil returns were optional. In the last few years, we've seen, for example, Revenue Guernsey introduce a requirement for all financial institutions (reporting and non-reporting) to file a nil "tick-the-box" return and this trend is expected to continue.

The UK tax authority (HMRC) have followed the trend to some extent. Whilst they stopped short of introducing mandatory nil returns, they have introduced an obligation for all Reporting Institutions to register on the HMRC AEOI portal by January 31st the year after being classifies as a Reporting Financial Institution (RFI).

Additional reporting requirements

In addition to the standard CRS XML submission, several jurisdictions have introduced "overlay" reporting and compliance requirements that investment funds need to plan for. For example, some tax authorities now require an annual CRS compliance form or compliance assurance statement to be filed alongside (or as part of) the FATCA CRS return. This typically confirms that written policies and procedures are in place and have been followed either as part of simple checklist such as in Guernsey or more detailed information on non-reportable accounts at pooled account type level requested by Cayman Islands & Bermuda.

Separately, Luxembourg's implementation of DAC7 introduced an investor pre-notification obligation: Luxembourg RFIs must inform individual account holders and reportable controlling persons (for Passive NFEs) at least annually about the personal data that will be reported under CRS, and provide an opportunity to correct inaccurate information ahead of submission. This creates additional coordination points between the fund, its administrator/transfer agent and any distributors.

Additional investor due diligence requirements

In recent years both Germany and Guernsey Revenue Authorities have made the notification of missing investor self-certifications mandatory with this now being a required element in the annual reporting for the 2026 calendar year onwards.

This is expected to extend with revenue authorities ensuring that the reporting is correct and all elements of the CRS regulations are complied with.

As an example of this tighter control, Revenue Guernsey has introduced the ability to raise a significant penalty against any investor who fails to provide a valid self-certificate.

FATCA and CRS audits

There is an increasing focus on proving regulatory compliance for all the requirements under CRS not only the reporting aspect. The OECD's Guide on Promoting and Assessing Compliance by Financial Institutions, published in 2020, began this process and has subsequently been reflected in updates from Revenue Authorities most recently by Revenue Jersey in their The Common Reporting Standard – Technical Guidance Notes. The authorities also stress that the responsibility for compliance rests on the financial institution themselves even when the work has been outsourced.

This focus on full compliance with the regulations is being followed up by tax authorities through in-person and desktop reviews. The scope of these audits can vary from classification and thematic audits to full in depth audits but they will usually expect to review the written policies and procedures, evidence of controls and implementation of these with sample checks of the due diligence obtained from accounts holders and the reporting submitted by the financial institution and/or at the service provider (should FATCA and CRS be outsourced).

What should fund managers do now?

This increased scrutiny and focus from tax authorities means financial institutions should be reviewing their current policies and procedures and assessing whether these can be improved following the recommendations of the OECD.

If you outsource FATCA/CRS to a service provider, please note that you still need appropriate financial institution-level policies and procedures in place. While these do not need to be as detailed as they would be if you carried out the work in-house, they should be robust enough to evidence that you are meeting your obligations under the FATCA and CRS legislation.

If you would like to discuss your FATCA and CRS obligations and how Aztec can support you, please do not hesitate to contact us directly.

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