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CRA releases updated CRS guidance: CRS 2.0 and other matters

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On July 2, 2026, the Canada Revenue Agency (CRA) published its updated *Guidance on the Common Reporting Standard* (Updated CRS Guidance).

The Updated CRS Guidance includes:

- Long-awaited changes addressing the legislative amendments to Part XIX of the *Income Tax Act* (CRS) relating to the amendments to the Common Reporting Standard set out in the *Standard for Automatic Exchange of Financial Account Information in Tax Matters*, as amended and approved by the Council of the Organisation for Economic Co-operation and Development in June 2023 (commonly referred to as **CRS 2.0**, Amended CRS or ACRS); and
- Other changes, referred to by the CRA as "small clarifications", pertaining to CRS compliance.

The changes in the Updated CRS Guidance relating to CRS 2.0 generally take effect on Jan. 1, 2027. All other changes generally take effect by July 2, 2026.

This article summarizes certain key compliance changes that financial institutions (including investment funds, securities dealers, portfolio managers, custodians, banks, trust and loan companies, credit unions and insurance companies) should be aware of.[1]

Compliance changes under CRS 2.0

New fields on the CRS return

CRS 2.0 requires the following new fields to be included in the CRS return for each reportable account, beginning with reporting for the 2027 calendar year:

a. For account holders that are passive non-financial entities with one or more reportable controlling persons, the financial institution must provide:
    i. the role(s) by virtue of which each reportable person is a controlling person of the account holder, and

ii. whether a valid self-certification has been provided for each reportable person[2];

b. In the case of any equity interest held in an investment entity that is a legal arrangement, the role(s) by virtue of which the reportable person is an equity interest holder;
c. Whether the account holder has provided a valid self-certification;
d. The type of account;
e. Whether the account is a preexisting account[3] or a new account[4]; and
f. Whether the account is a joint account (and if so, the number of joint account holders).

Transitional relief applies to accounts already opened as of Jan. 1, 2027 (each referred to as an **Existing Account**), but solely with respect to the new reporting fields in (a)(i) and (b) described above. These fields do not need to be completed for an Existing Account if such information is not available in the electronically searchable data maintained by the financial institution. The transitional relief is limited and may only be used by financial institutions for the 2027 and 2028 reporting periods.

Custodial account reporting relief

Under the current CRS rules, a financial institution that maintains a custodial account must report on the CRS return the total gross proceeds from the sale or redemption of financial assets that are paid or credited to the account during the reporting period.

Under CRS 2.0, a financial institution is exempted from reporting this information if it reports such information in the return filed for purposes of Part XXI of the *Income Tax Act* (CARF) relating to the Crypto-Asset Reporting Framework (unless the financial institution elects out of this reporting exemption for CRS). This measure helps prevent duplicative reporting under CRS and CARF for certain financial accounts related to crypto-assets.

Missing self-certifications

In exceptional circumstances where a financial institution cannot obtain a self-certification for a new account in time to meet its CRS obligations for the reporting period during which the account was opened, CRS 2.0 requires financial institutions to apply the due diligence procedures for preexisting accounts until the self-certification is obtained and validated.

Reliance on AML/KYC documentation

The *Financial Action Task Force Recommendations — International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, adopted in February 2012 and as amended from time to time (FATF Recommendations) are the international standards for the measures that countries should adopt domestically to implement anti-money laundering and know your customer (AML/KYC) rules. However, not all countries, including Canada, have enacted domestic AML/KYC legislation entirely consistent with the FATF Recommendations.

Information gathered for Canadian AML/KYC purposes is often used for CRS compliance purposes. For example, information gathered for AML/KYC purposes may be used to determine the controlling persons of an entity account holder or to assess the reasonableness of a self-certification. Under the current rules, financial institutions may rely on documentation collected for Canadian AML/KYC purposes to satisfy their CRS obligations.

Pursuant to CRS 2.0, financial institutions will no longer be able to rely on information collected and maintained pursuant to their AML/KYC procedures for their CRS due diligence obligations, if the financial institution's AML/KYC procedures are not substantively consistent with the FATF Recommendations. To date, the CRA has not provided any guidance on the extent of the substantive discrepancies (if any) between Canadian AML/KYC rules and the FATF Recommendations, therefore, financial institutions are left to independently determine whether continued reliance on their AML/KYC documentation for CRS compliance purposes will be acceptable.

Multiple tax residences

An account holder (or an account holder's controlling person) may be a tax resident in two or more jurisdictions based on the domestic laws of such jurisdictions. The CRA's previous administrative position was that account holders with multiple tax residences may rely on an applicable tie-breaker rule in a tax treaty to resolve cases of dual tax residence.

Beginning in 2027, a dual resident account holder must provide all the jurisdictions of tax residence (*i.e.,* without applying any tie-breaker rule in a tax treaty) on a self-certification and the financial institution must report all such jurisdictions on the CRS return.

To date, the CRA has not released updated self-certifications to address this change – the instructions in the current version of the CRA's self-certifications indicate that account holders can rely on tie-breaker rules. We would expect, similar to other jurisdictions that have already implemented CRS 2.0, that the CRA's next version of the self-certifications will be updated to indicate that account holders can no longer rely on the tie-breaker rules.

Preexisting accounts – reasonable efforts to obtain missing date of birth or TIN

Under the current CRS rules, financial institutions do not need to report the date of birth or TIN for preexisting accounts, if such information is neither (i) in the financial institution's records nor (ii) otherwise required to be collected by the financial institution under the *Income Tax Act*.

Even though financial institutions do not need to report such information in those circumstances, they still have an obligation to use reasonable efforts to obtain the TIN or the date of birth (as applicable) with respect to a preexisting account by the end of the second calendar year following the year in which the preexisting account is identified as a reportable account. Pursuant to CRS 2.0, financial institutions will now also be required to use reasonable efforts to obtain the TIN or date of birth (as applicable) of a preexisting account whenever it is required to update the information relating to the account pursuant to AML/KYC procedures.

New types of non-reportable persons – publicly-traded entities and their related entities

Non-reportable persons are not reportable for purposes of CRS (regardless of their tax residency status). Under the current CRS rules, the list of non-reportable persons includes, but is not limited to, (i) a corporation the stock of which is regularly traded on one or more established securities markets or (ii) any corporation that is a related entity of the former.

CRS 2.0 expands the two above-noted categories beyond corporations, in order to capture all entities (*e.g.,* trusts and partnerships) that have stock that is regularly traded on an established securities market and their related entities.

Updating the list of non-reporting financial institutions

A financial institution that is a non-reporting financial institution (NRFI) is not subject to CRS compliance obligations.

Under the current CRS rules, a governmental entity or international organization is a NRFI. CRS 2.0 limits the situations where such an entity can benefit from the NRFI status. In particular, a governmental entity or international organization will not be a NRFI in any of the following scenarios:

- With respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a specified insurance company, custodial institution or depository institution; or
- With respect to the activity of maintaining central bank digital currencies for account holders which are not financial institutions, governmental entities, international organizations or central banks.

New type of excluded account – incorporations and contributions of capital

Financial institutions do not have CRS compliance obligations with respect to an "excluded account".

CRS 2.0 introduces a new type of "excluded account", which is an account established in connection with a contribution of capital to, or the incorporation of, a corporation. In order for an account to fall within this new type of "excluded account", the account must meet all of the following requirements:

- The account is used exclusively to deposit amounts that are to be used for the purpose of the incorporation of, or the making of a capital contribution to, a corporation in accordance with applicable law;
- Any amounts held in the account must be blocked until the financial institution obtains an independent confirmation regarding the incorporation or contribution of capital;

- The account is closed or transformed into another account in the name of the corporation after the incorporation or contribution of capital;
- Any repayments resulting from the failed incorporation or contribution of capital (net of service provider and similar fees) must be made solely to the persons who contributed the amounts; and
- The account cannot have been established more than 12 months before that time.

Other compliance changes

Missing TIN

An account holder must provide a reasonable explanation on their self-certification if the account holder is not eligible to obtain a foreign TIN (*e.g.,* the account holder's jurisdiction does not issue a TIN to its residents) or is otherwise unable to secure a foreign TIN (*e.g.,* the account holder has requested a TIN from its jurisdiction but has not yet received it as at the time the account is opened).

The CRA recommends that financial institutions have procedures in place to follow-up with the account holder and document any actions taken to support the financial institution's "reasonable efforts" that were made to obtain the missing TIN.

Entity account holder certifies it has no residence

For a self-certification to be valid, the account holder must certify its jurisdiction(s) of tax residence. If an entity account holder (such as a partnership) certifies that it has no residence for tax purposes, the CRA's previous administrative position was that the financial institution can rely on the address of the entity's principal office to determine the entity's jurisdiction of tax residence.

Under the Updated CRS Guidance, if an entity account holder certifies it has no residence for tax purposes, the financial institution should treat the account as not having a valid self-certification. In such circumstances, the CRA recommends that the financial institution should discuss with the account holder about what other information to consider for determining its tax residence (address of the entity's principal office, place of effective management of the entity's business, jurisdiction in which the entity is established, *etc.*) or refer the entity to seek professional tax advice. Accordingly, financial institutions cannot solely rely on the location of the entity's principal office in these circumstances.

Securities of a fund issued in client name – written communications

Where securities of a fund are issued in the name of the beneficial investor (*i.e.,* securities are issued in client name), the fund and the investor's dealer both have obligations under CRS. In these circumstances, the fund and the dealer may take advantage of the "client name relief" (provided certain requirements are met), whereby the parties share the CRS compliance obligations as follows (see our article, New year, new compliance obligations: CRA releases updated CRS guidance, for more information):

- Due diligence (this must be completed by the dealer) – The dealer collects a self-certification from the account holder, and communicates to the fund whether the account is reportable or non-reportable.
- Reporting (this may be completed by either the dealer or the fund) – Whichever party is responsible for the reporting (the Filer) is required to inform the party that is not responsible for the reporting (the Non-Filer), in writing, that the Filer will perform the reporting.

In the Updated CRS Guidance, the CRA provides examples of "written communications" or "information in writing", and such examples consist of electronic communications, notifications and notations. The CRA also makes it clear that any such communications are considered records, and they are therefore subject to the record keeping (including retention period) requirements imposed under CRS.

How financial institutions can prepare for the new changes

Financial institutions should consider taking the following action steps to prepare themselves for the compliance changes under CRS:

- ***Update your policies and procedures*** **–** Your polices and procedures for CRS compliance should be updated to reflect the compliance changes. Given the changes impact only CRS at this time, financial institutions that have obligations under Part XVIII of the *Income Tax Act* (FATCA) should consider how this may impact their FATCA compliance procedures;
- ***Prepare training sessions for your compliance team*** **–** Financial institutions are expected to have periodic trainings on CRS compliance. Financial institutions should begin planning training sessions in advance of the 2027 implementation date for CRS 2.0, as well as preparing the training materials for these sessions. Attendance logs and copies of all training materials should be retained, as they are often requested during an audit by the CRA of a financial institution's CRS compliance program;
- ***Update your computer systems to reflect the new CRS return*** **–** For financial institutions that rely on computer systems to prepare their annual CRS returns, it will be important to update the computer system to incorporate the new reporting fields required by the new CRS return. For example, financial institutions may complete due diligence by collecting a valid self-certification or by using publicly available information – it will now be important for financial institutions to track how the due diligence was completed in order to satisfy the new fields on the CRS return. For Existing Accounts where the new information to be reported on the CRS return is not in the computer system, financial institutions may need to manually review the client file to determine the required information to complete the applicable new field(s); and
- ***Understand the differences between your AML/KYC procedures and the FATF Recommendations*** **–** CRS 2.0 emphasizes that financial institutions are required to follow the FATF Recommendations when complying with CRS, rather than their AML/KYC procedures which are established for the purposes of complying with the Canadian AML/KYC legislation. CRS compliance professionals should understand how the FATF Recommendations differ from

the obligations under Canadian AML/KYC, in order to know whether information obtained for AML/KYC purposes can or cannot be used for CRS purposes.

For help assessing the impact of the Updated CRS Guidance on your financial institution, please contact the individuals below.

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Footnotes

[1] This article summarizes the key compliance changes in the Updated CRS Guidance, except to the extent that they relate to CRS 2.0 introducing compliance obligations under CRS for the first time for labour-sponsored funds and entities operating in the areas of electronic money products, central bank digital currencies or crypto-assets (as discussed in a separate article).

[2] In the Updated CRS Guidance, the CRA states that the self-certification of a controlling person may be incorporated into the entity account holder's self-certification or is a separate self-certification provided by the controlling person.

[3] A preexisting account is one that is maintained by a financial institution on Dec. 31, 2026 (if the account is solely treated as a financial account under CRS 2.0) or on June 30, 2017 (in all other circumstances.)

[4] A new account is one that is maintained by a financial institution that was opened after 2026 (if the account is solely treated as a financial account under CRS 2.0) or after June 30, 2017 (in all other circumstances.)

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