

ST.KITTS AND NEVIS

INFORMATION BULLETIN



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Common Errors in CRS and FATCA Reports and Mitigation

The Inland Revenue Department (IRD), as the Competent Authority for Saint Kitts and Nevis, reminds all Reporting Financial Institutions (FIs) of their obligations under the Automatic Exchange of Information (AEOI) frameworks, including the Common Reporting Standards (CRS) and the Foreign Account Tax Compliance Act (FATCA).

To strengthen compliance and improve reporting quality, this Bulletin outlines common reporting errors and weaknesses identified in reports submitted via the SKN AEOI Portal. For each issue outlined, it explains why the issue matters and mitigation measures to be undertaken by Financial Institutions. The Bulletin also highlights the applicable penalties for non-compliance and the support available from the IRD.

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1. Data Quality and Formatting Errors

Issue:

- XML files not in the OECD/IRS schema
 - Invalid characters.
 - Use of 'No First Name' or 'NFN' in name field.

Why it Matters:

Files that fail validation cannot be uploaded or transmitted to partner jurisdictions. Repeated rejections delay compliance and risk reputational harm to both the FI and the jurisdiction.

FI Mitigation:

- ✓ Pre-validate all XML files using the OECD/IRS validation tools prior to submission.
- ✓ Standardize internal formats for names, addresses, dates, and currencies.
- ✓ Train relevant staff to identify and correct formatting errors at the source.

2. Account Holder and Entity Classification

Issues:

- Misreporting individuals as entities (and vice versa).
- Failure to identify Controlling Persons of Passive Non-Financial Entities (NFEs) and Investment Entities located in non-participating jurisdictions.
- Failure to provide Tax Identification Numbers (TINs) of Controlling Persons.
- Invalid Tax Identification Numbers (TINs) including repeated use of IRS series of codes to populate the TIN field in circumstances where the TIN is not available (such as 222222222).
 - CRS does not provide a standardized set of placeholder TINs, unlike FATCA where IRS codes may be used under certain conditions. Some FIs improperly use the placeholder TINs when no TIN is available, without justification or supporting documentation.

Why it Matters:

Misclassification leads to under-reporting of reportable accounts and incorrect identification of tax residency. Missing or invalid TINs reduce the accuracy and

usefulness of the information exchanged and may trigger feedback or follow up from partner jurisdictions.

FI Mitigation:

- ✓ Strengthen KYC and onboarding processes to ensure accurate account classifications.
- ✓ Collect and validate TINs at the point of onboarding, using OECD jurisdiction-specific TIN documentation as a reference.
- ✓ Obtain and verify complete self-certifications for all account holders.
- ✓ Identify and report all Controlling Persons of all Entity Accounts including Passive NFEs.

3. Financial Information Reporting

Issues:

- Reporting zero balances for active accounts.
- Failure to include account closure information.
- Misclassification of financial data such as gross amounts, interest, dividends, or proceeds.

Why it Matters:

Financial data is the core of CRS/FATCA reporting. Errors distort taxpayers' financial profiles, undermine data integrity, and may result in mismatches or data queries from partner jurisdictions.

FI Mitigation:

- ✓ Reconcile financial data prior to submission
- ✓ Ensure account closure dates are accurately captured.
- ✓ Review values to confirm correct classification of income and balances at reporting date.

4. Portal Submission Issues

Issues:

- Duplicate reports submitted without being flagged as corrections.
- Late submissions past statutory deadlines.
- Failure to file NIL Return for periods with no reportable accounts

Why it Matters:

Timely and accurate submissions are critical to maintaining Saint Kitts and Nevis' reputation and compliance with partner jurisdictions. Late or duplicate submissions may hinder data transmission and create administrative inefficiencies. Late submissions incur penalties for the Financial Institution.

FI Mitigation:

- ✓ Clearly mark resubmissions as corrections.
- ✓ Maintain internal calendars and reminders to avoid late submissions.
- ✓ **Verify submission confirmations from the AEOI Portal to ensure successful transmission.**
- ✓ Follow up checks on portal accounts for error notifications, if any, and corrective actions to be taken.

5. Due Diligence Weaknesses

Issues:

- Incomplete or missing self-certifications.
- Reliance on nationality rather than tax residence to determine tax residency.
- Failure to review and report pre-existing accounts.
- Accepting passports or utility bills as standalone proof of residence without considering whether the client lives in the jurisdiction.
- Not applying enhanced scrutiny when clients are known to hold or have applied for Citizenship by Investment (CBI).
- Not following up on conflicting indicators (e.g., mailing address in Country A, passport from Country B, but declares tax residency in Country C).
- Not recording whether citizenship was obtained through an RBI/CBI scheme.

Why it Matters:

Incomplete due diligence increases the risk of unreported or misclassified accounts. This undermines the credibility of CRS/FATCA compliance and exposes both the FI and jurisdiction to non-compliance risks.

FI Mitigation:

- ✓ Implement stricter onboarding controls for new accounts. Do not open accounts until valid self-certifications are obtained.
- ✓ Conduct systematic reviews of pre-existing (legacy) accounts to ensure compliance.
- ✓ Apply OECD rules for determining tax residence—do not rely solely on nationality.
- ✓ Obtain and verify complete self-certifications and valid TINs.
- ✓ Reject incomplete or invalid self-certifications.
- ✓ Conduct enhanced due diligence for clients holding CBI passports.
- ✓ Require clients to disclose if citizenship was obtained through investment schemes.
- ✓ Provide staff training on CRS risks associated with RBI/CBI schemes.

Penalties for Non-Compliance

As the IRD aims to promote a culture of compliance and due diligence. Financial Institutions should be aware that repeated or serious CRS errors may result in penalties under Section (8) of the Common Reporting Standard (Automatic Exchange of Financial Account Information) Act. This may include fines for late submission, failure to obtain self-certifications, inaccurate reporting, or failure to report reportable accounts. Financial Institutions are encouraged to review internal controls and address any recurring issues promptly to avoid enforcement action.

IRD Support

To assist Reporting Financial Institutions, the International Taxation Unit provides the following resources and guidance:

- ✓ CRS and FATCA Schema guidance available and FAQs published.
- ✓ Reminder notices are sent ahead of reporting deadlines.
- ✓ Dedicated Helpdesk support via email and phone.
- ✓ OECD model self-certification forms.
- ✓ The OECD Jurisdiction-specific TIN documentation available on OECD website.
- ✓ Published IRD guidance on Self-Certification, TINs, Date of Birth (DoB) and Undocumented Accounts.
- ✓ Published CRS Guidance

The IRD emphasizes that accurate, complete and timely reporting is critical to maintaining Saint Kitts and Nevis' international cooperation commitments. Financial Institutions are encouraged to review their reporting processes and address the common errors identified in this circular. Non-compliance may result in rejection of reports, reputational risks, and enforcement action. By addressing these issues proactively, through FI-led mitigation and IRD support, Saint Kitts and Nevis will continue to meet its international obligations.

For further guidance or technical assistance, please contact the IRD International Taxation Unit (ITU) at: aeoi.skn@ird.gov.kn.

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