

**EXPLANATORY MEMORANDUM TO**  
**THE INTERNATIONAL TAX COMPLIANCE (AMENDMENT) REGULATIONS**  
**2024**

**2024 No. 544**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by His Majesty’s Revenue and Customs (HMRC) on behalf of His Majesty’s Treasury and is laid before the House of Commons by Command of His Majesty.

**2. Declaration**

- 2.1 Nigel Huddleston MP, Financial Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 John Shuker, Deputy Director for International Collaboration and Transparency at HMRC confirms that this Explanatory Memorandum meets the required standard.

**3. Contact**

- 3.1 David Smith at HMRC, Telephone: 03000 577521 or email: david.b.smith@hmrc.gov.uk can be contacted with any queries regarding the instrument.

**Part One: Explanation, and context, of the Instrument**

**4. Overview of the Instrument**

*What does the legislation do?*

- 4.1 This instrument amends the International Tax Compliance Regulations 2015 (S.I. 2015/878) (“principal Regulations”), which came into force on 15 April 2015. The principal Regulations require financial institutions in the United Kingdom (UK) to report information on certain non-resident account holders to HMRC for exchange under international arrangements. The principal Regulations currently cover international exchange arrangements entered into by the UK as of 19 April 2023. This instrument provides that the arrangements covered by the principal Regulations will now be specified in a notice published by the Commissioners.

*Where does the legislation extend to, and apply?*

- 4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.
- 4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

**5. Policy Context**

*What is being done and why?*

- 5.1 The policy objective, of which this instrument is part, is to increase cooperation between tax administrations in the fight against tax fraud and evasion and other types of tax non-compliance.

- 5.2 The principal Regulations enable the UK to fulfil its obligations to automatically exchange information with other jurisdictions on accounts held in the UK by persons resident overseas.
- 5.3 In return, the UK will automatically receive information from overseas tax administrations in respect of offshore accounts held by UK tax residents.
- 5.4 The principal Regulations impose obligations on UK financial institutions to carry out due diligence procedures (contained in the CRS and FATCA) to identify account holders that are resident overseas, to maintain a record of relevant information and to report accounts identified as reportable to HMRC.
- 5.5 The principal Regulations apply to international exchange arrangements entered into by the UK as of 19 April 2023, the day inserted by the last such amendment to the principal Regulations. Reportable jurisdictions are identified in a published list available at gov.uk<sup>1</sup>.
- 5.6 This instrument enables HMRC to bring into scope arrangements entered into by the UK after 19 April 2023, such as those entered into with Georgia and Ukraine, by means of a published notice.

*What was the previous policy, how is this different?*

- 5.7 Prior to this instrument, international exchange arrangements were brought into scope by means of an amendment to the principal Regulations rather than by a published notice.

## **6. Legislative and Legal Context**

*How has the law changed?*

- 6.1 The principal Regulations, which this instrument amends, enable the UK to comply with automatic exchange of information obligations arising under international exchange arrangements relating to the Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS) and the Intergovernmental Agreement with the United States of America to Improve International Tax Compliance and to implement FATCA (the Foreign Account Tax Compliance Act).
- 6.2 This instrument amends the principal Regulations to include new arrangements as specified in a notice published by HMRC.

*Why was this approach taken to change the law?*

- 6.3 Including new international exchange arrangements by means of a published notice is more efficient than the previous approach of making annual updates by means of a Statutory Instrument.

## **7. Consultation**

*Summary of consultation outcome and methodology*

- 7.1 There was no consultation since this instrument simply changes the process by which additional international exchange arrangements equivalent to those included in the principal Regulations are brought into scope.

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<sup>1</sup> Reportable jurisdictions: <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim402340>

## **8. Applicable Guidance**

- 8.1 HMRC has worked with business and advisers to produce guidance in relation to the principal Regulations, which is available at gov.uk<sup>2</sup>.

### **Part Two: Impact and the Better Regulation Framework**

## **9. Impact Assessment**

- 9.1 A Tax Information and Impact Note covering this instrument was published on 18 March 2015 alongside the principal Regulations and is available at gov.uk<sup>3</sup>. It remains an accurate summary of the impacts that apply to this instrument.

### *Impact on businesses, charities and voluntary bodies*

- 9.2 Business, charities or voluntary bodies that are financial institutions may have to provide additional information to HMRC.
- 9.3 To minimise the impact of the requirements on small or micro businesses (employing up to 50 people), the approach taken was to fully engage with the Organisation for Economic Co-operation and Development in designing and delivering the CRS. The impact on affected businesses has been reduced by taking certain products that are typical to these financial institutions out of scope of the principal Regulations and by seeking to simplify certain due diligence procedures.
- 9.4 There is no, or no significant, impact on the public sector because the legislation only applies to financial institutions.

## **10. Monitoring and review**

### *What is the approach to monitoring and reviewing this legislation?*

- 10.1 The approach to monitoring this legislation is that HMRC and the Treasury will continue to liaise with stakeholders from time to time to discuss the implementation of the Regulations as part of continuing engagement with industry.
- 10.2 The instrument does not include a statutory review clause in accordance with section 28(3)(a) of The Small Business, Enterprise and Employment Act 2015 because the power by which this instrument is made is being exercised to make or amend provisions imposing, abolishing, or varying any tax duty, levy, or other charge or provisions in connection with such provisions.

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<sup>2</sup> Guidance for principal Regulations: <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400000>

<sup>3</sup> Tax Information and Impact Note: <https://www.gov.uk/government/publications/tax-administration-regulations-to-implement-the-uks-automatic-exchange-of-information-agreements>

### **Part Three: Statements and Matters of Particular Interest to Parliament**

#### **11. Matters of special interest to Parliament**

11.1 None.

#### **12. European Convention on Human Rights**

12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

#### **13. The Relevant European Union Acts**

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).