



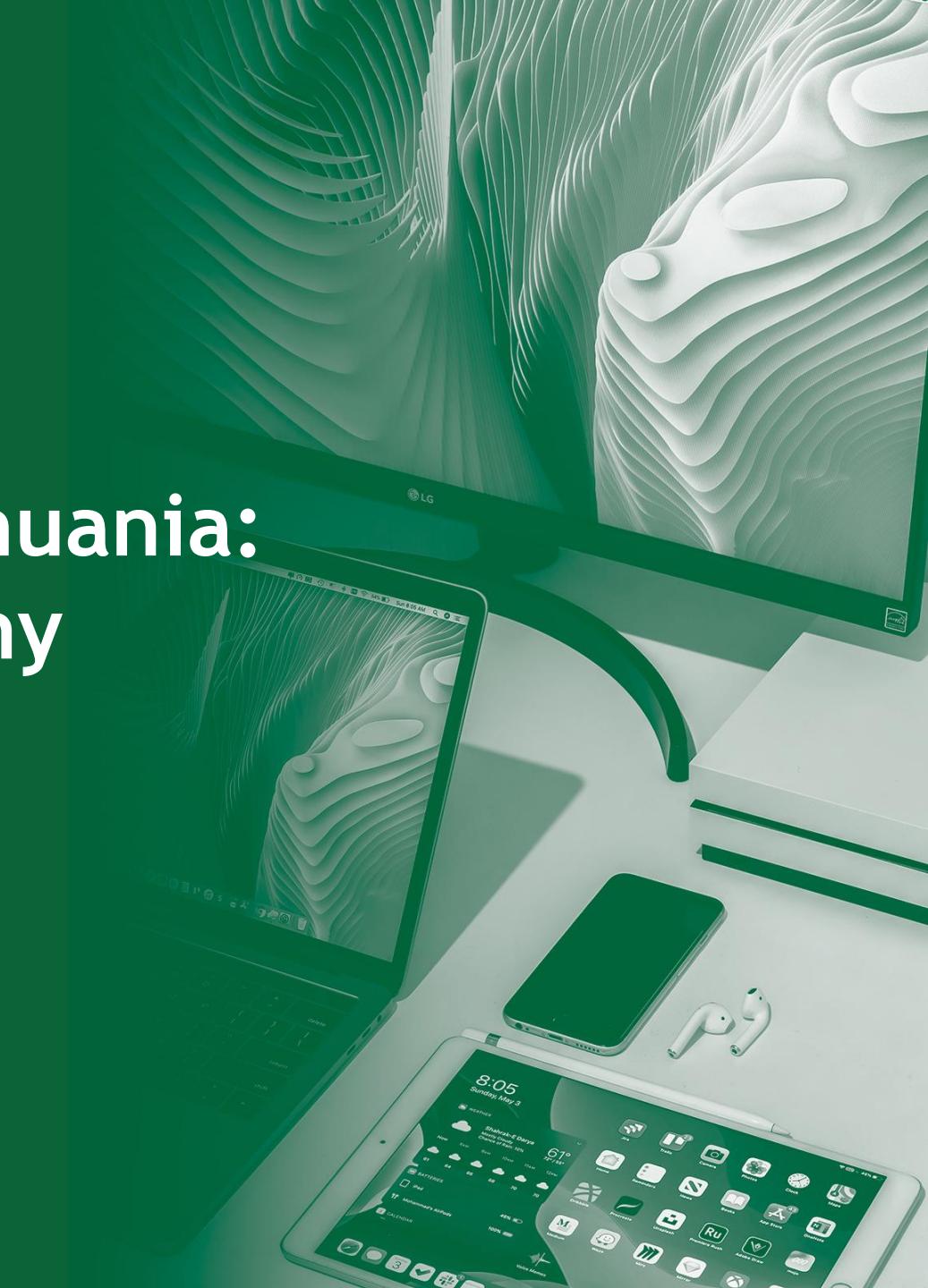
STATE TAX
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CRS Compliance Audits in Lithuania: Audit of an Insurance Company

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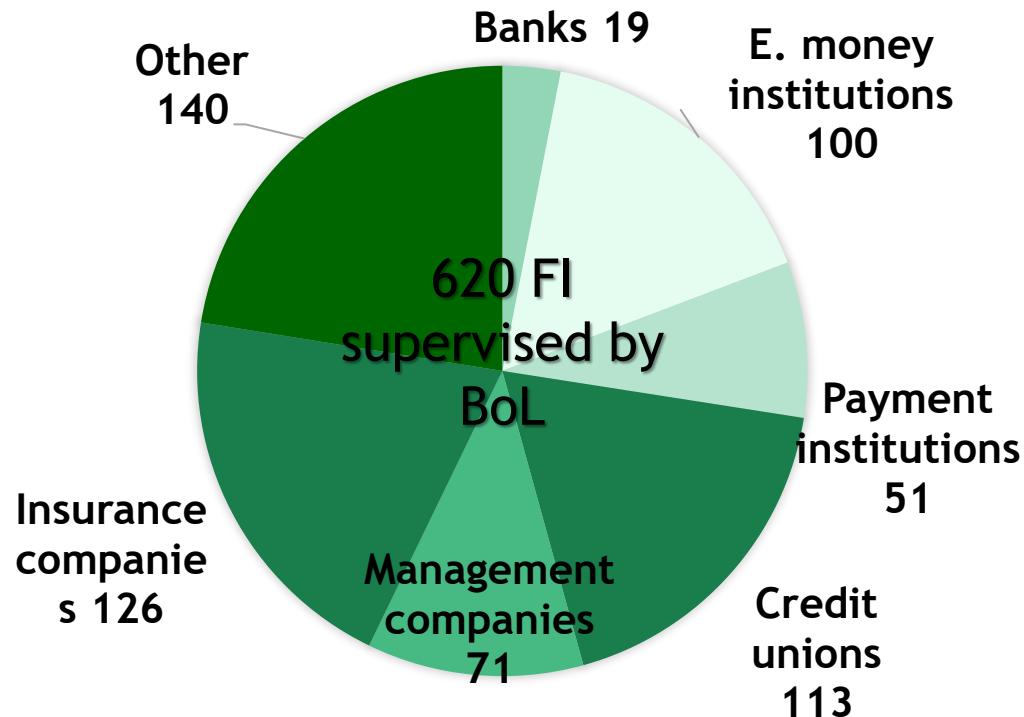
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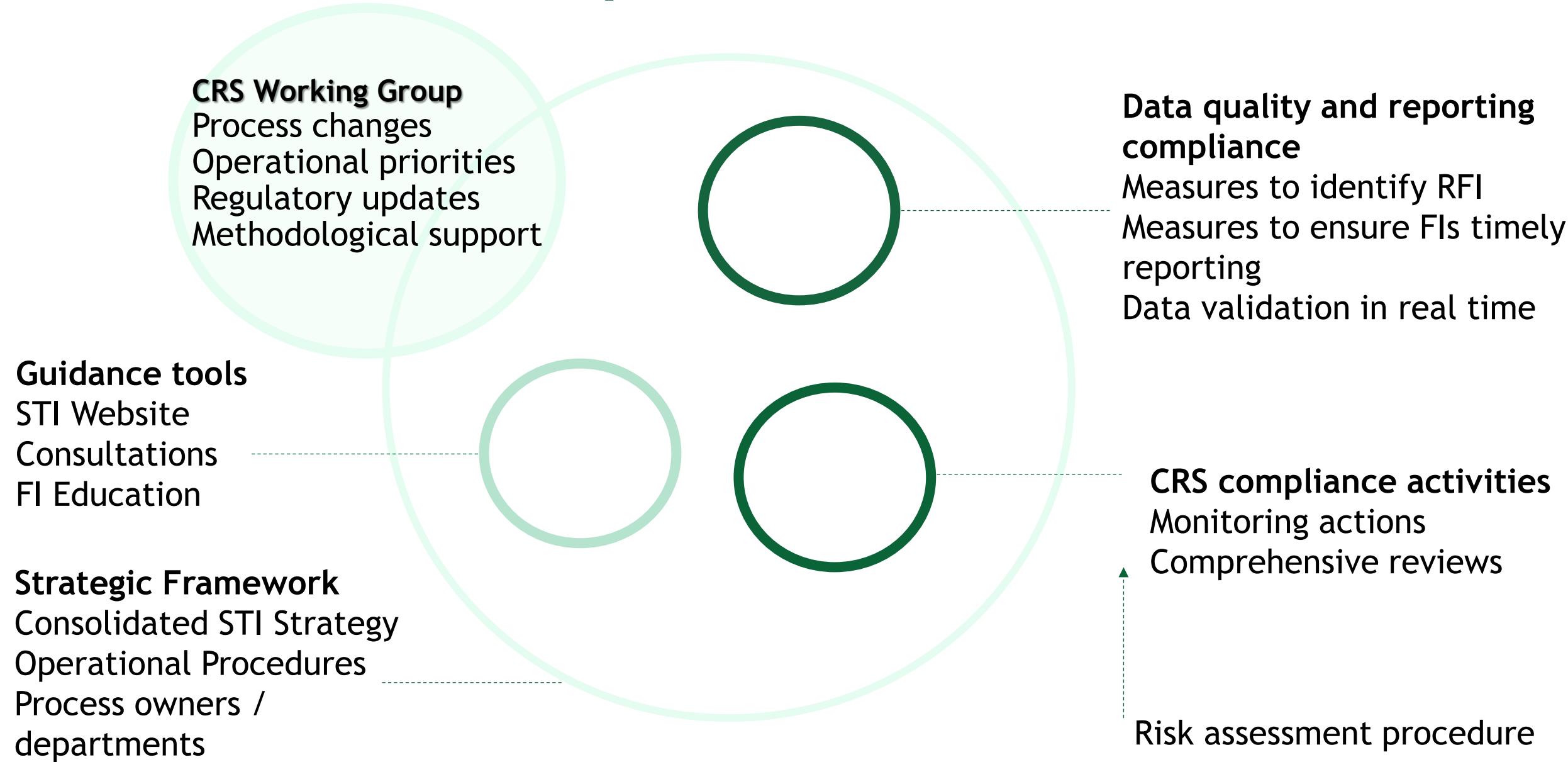
Lithuanian Financial Industry and RFI Structure



CRS reporting period 2024
Accounts sent: 65 million
Accounts received: 350 thousand

RY 2024	Banks	E. money institutions	Credit unions	Management companies	Insurance companies	Other
RFI	18	73	61	54	8	12
Non RFI	1	27	52	17	118	179
Accounts, in thsd.	26 654	25 559	9	12 631	14	0,1

CRS Compliance Framework



Case Background - Insurance Company A

Audited FI

Products offered: Life and health insurance solutions

Customer base: 74K active insurance policies

Scope of the audit CRS reporting for 2022-2023

Reported financial accounts: 15K (97% individual clients)

Audit goal

To verify the correct fulfillment of all CRS obligations:

Reporting

Due diligence

Record-keeping

Other Audit attention areas

Undocumented accounts

Passive NFE/ Active NFE/customers - FI

RBI/ CBI schemes

Case Background - Insurance Company A

RISK ASSESSMENT



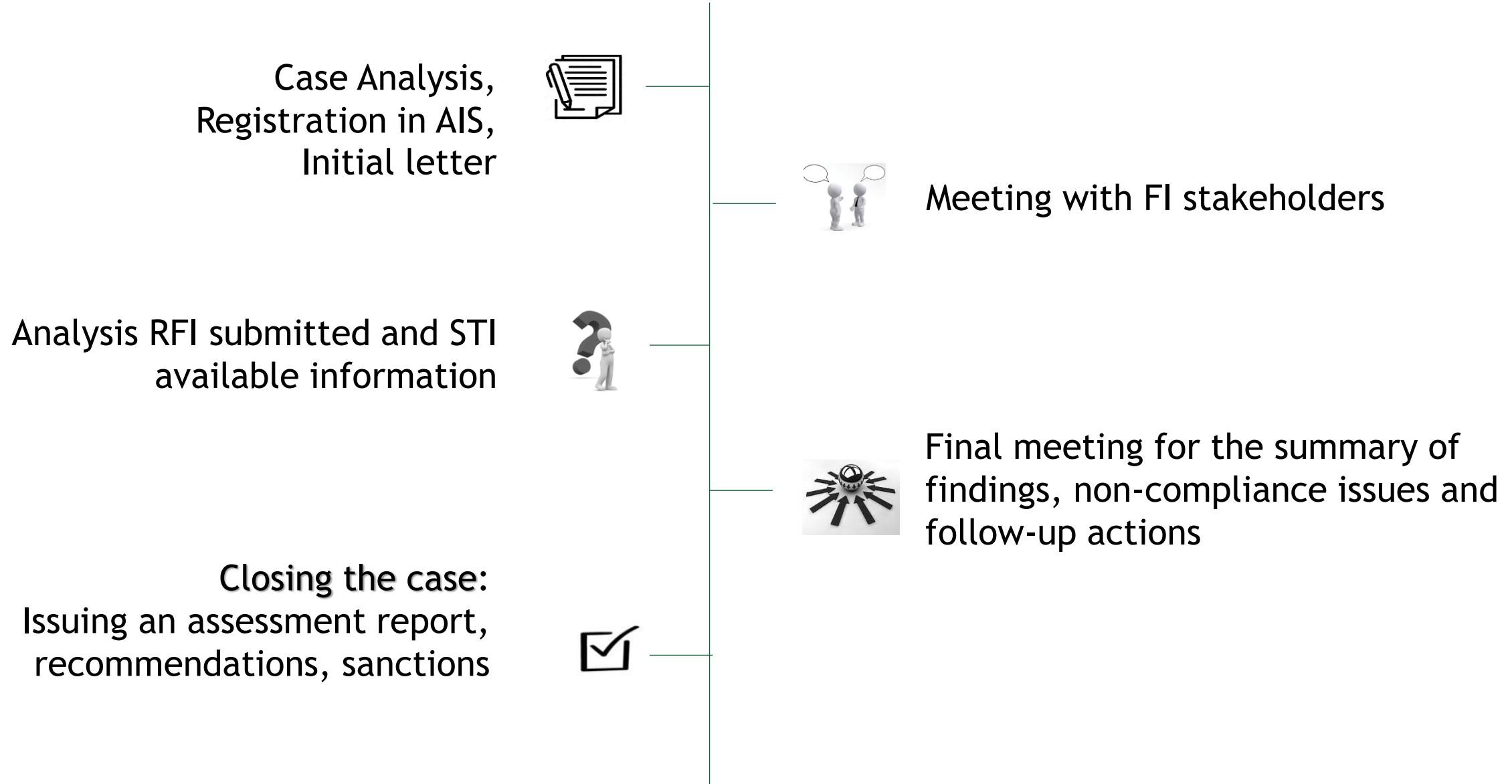
Sources of Information

- CRS data from foreign jurisdictions
- CRS data from LT FIs
- Taxpayer register & annual income tax declarations
- STI data on opened/closed FI accounts
- FIU reports and peer feedback

Detected risks:

- Recurrent taxpayers in both outbound and inbound CRS files
- Residence mismatch (LT resident reported abroad as non-resident)
- Conflicting residence info across FIs
- Decrease in reported accounts vs previous period
- Undocumented accounts reported
- Data errors, incl. missing / invalid DOB or TIN; missing Passive NFE controlling persons, etc.

CRS audit process



Step 1. Initial letter and information request

- Case Analysis and Registration in the Audit Information System
- Initial notification letter/Information Requested for Initial Review:
 - ⌚ Internal procedure(s)
 - ⌚ Reports and recommendations by FI/external auditors
 - ⌚ All accounts listing (in Excel) incl.:
 - Data for all relevant CRS reporting elements
 - Policyholder, controlling persons and beneficiary information
 - Account opening/closure data
 - Date of the last verification of account holder information etc.

Step 2. Meeting with Company A Stakeholders

Participants:

- From various departments
-

Main Discussion Topics:

- Products, client profiles, client onboarding, client risk assessment, IT services for CRS
 - CRS procedures and responsibilities assignment
 - CRS information life cycle
 - Discrepancy root causes
 - STI overview of audit process & methodology
-

Outcome:

- Documented in official minutes
- Explanations used to identify/analyze causes of inconsistencies

Step 3. Investigative phase

CRS policies and procedures verification

Assessment of correct classification of excluded accounts

Review all RFI accounts and cross-check with the STI available data

- CRS reporting data (from TIES)
- Data from tax returns

Accounts and supporting documents sampling (100-200 accounts):

- Based on risks identified during the risk assessment
- Due to CRS reports data errors (e.g. incorrect TIN)
- Covering different types of issues:
 - Preexisting Account / New Account
 - Lower/Higher Value Accounts
 - Individual Account/ Subject account
 - Undocumented accounts
 - RBI/ CBI schemes and etc.

Underlying documentations: Self-certifications, population extracts & ID checks

Step 3. Investigative phase

CRS Regulatory Issues for Insurance Companies

Financial account - any Cash Value Insurance Contract and any Annuity Contract, excl. immediate life annuities monetising pension or disability benefits from Excluded Accounts

Account balance - the Cash Value or surrender value as of the end of the relevant calendar year

Cash Value means the greater of

- (i) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan), and
- (ii) the amount the policyholder can borrow under or with regard to the contract*.

**Company A does not offer policy loans*

Step 3. Investigative phase

Account Holder - is any person entitled to access the Cash Value or change the beneficiary of the contract. Upon the maturity of a Cash Value Insurance Contract or an Annuity Contract, each person entitled to receive a payment under the contract is treated as an Account Holder.

Reporting in Practice

	Account Holder	Account Balance
If the policyholder (or a Passive NFE with one or more Controlling Persons) is/are Reportable Person/s	The policyholder	Cash Value or Surrender Value
If the Beneficiary (Upon the maturity) is Reportable	The Beneficiary	Cash Value or Surrender Value

Step 3. Investigative phase

Policy value evolution

Year 1 → Accumulation

Year 2 → Investment gain

Year 3 → Partial withdrawal/Surrender Value

Year 4 → Policy maturity

Year 5 → Payment of Cash value

CRS challenges

- Policy/account is “active” even after maturity
- RFI may misinterpret account closure event
- Attribute of closed account
- Balance to Report: Cash/Surrender/Loan Value (reporting uncertainty)
- Inaccurate reporting of account balances (e.g. surrender value)
- Manual or logic-based reconciliation might be required by the RFI

Step 4. Final meeting - Summary of Findings

General Findings:

- Discrepancies common across FI

! Insurance-Sector Specific Findings:

- Misinterpretation of CRS rules for insurance policies
- Incorrect reporting of account closure indicators after policy maturity
- Errors in determining account holders and balance values
- Non-recording of surrender values at year-end (affecting reporting accuracy)

Recommendations Project:

- Actions to minimize gaps and correct reporting for audited period
- Ensure future reporting is accurate
- Implementation timelines:
 - Data submission/corrections → immediately
 - FI IT processes and procedures updates → within 6 months

Step 5. CRS Audit Results and Follow-up Actions

- Issued an **assessment report** and recommendations for eliminating discrepancies
- Defined **timelines** for implementation of recommendations
- The company is **obliged** to provide feedback on the implementation status
- **Follow-up** review to verify implementation
- **Liability** for violations

THANK
YOU