



HM Revenue
& Customs

BANK, BUILDING SOCIETY INTEREST (BBSI) RETURNS 2016/17

**Guidance notes for returns of Interest from
Banks, Building Societies and other Deposit-
takers under Schedule 23 to Finance Act 2011 and
The Data-gathering Powers (Relevant Data)
Regulations 2012 (SI 2012/847) as amended.**

For enquiries about these notes see the gov.uk website (link details in para 3.4)

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1. Glossary

- AIF** Authorised Investments Funds – financial products including AUTs, OEICs and any others that may be covered by the Authorised Investment Funds (Tax) Regulations 2006 SI 2006/964:
- AUT** Authorised Unit Trust – a financial product for which a form R105(AUT) is sometimes used to show the beneficial recipient of the interest is eligible to receive interest gross (i.e. without deduction of tax) (see paragraph 4.11);
- OEIC** Open Ended Investment Company – a financial product for which a form R105(OEIC) is sometimes used to show that the beneficial recipient of the interest is eligible to receive interest gross (i.e. without deduction of tax) (see paragraph 4.11);
- BBSI return** Bank, Building Society Interest return. The information return that this guidance note relates to. The name changed in 2014 from Type 17 return. Such returns in earlier years were required under section 17 of the TMA 1970. (see also OI below).
- CRS** Common Reporting Standard. This is the short name of “The agreement to the automatic exchange of information to a common reporting standard” an OECD initiative. In the EU it is taking over from EU Savings Directive reporting but it also covers a lot of other countries and more data than the EU Savings Directive.
- Calendar years** Year from 1 January 2016 to 31 December 2016 as distinct from a tax year which runs from 6th April 2016 to 5th April 2017.
- Data-gathering regs** These are the Data-Gathering (Relevant Data) Regulations 2012. They contain the definitions of what are the relevant data that HMRC can require data-holders to provide in a return. The relevant data for BBSI returns are defined under regs 5-10 inclusive.
- Data-holder** These are the persons who can be required to provide relevant data by a notice from HMRC. Each group is separately defined in Schedule 23 to FA 2011. Data-holders for BBSI returns come under paragraph 12 of that schedule.
- EUSD** European Union Savings Directive – Former EU agreement (2003/48/EC) which was transposed into UK law as the Reporting of Savings Income

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Information Regulations 2003 (SI 2003/3297). The last report required was for the tax year to 5 April 2016.

FR Fully Reportable – if you pay interest to an individual investor who is resident in a fully reportable country you must include them on your BBSI return.

HMRC Her Majesty's Revenue and Customs. When these notes were published on the HMRC website HMRC was referred to as "us". Now on gov.uk the notes speak of HMRC in the third person for clarity.

NINOs National Insurance Numbers.

OI return Other Interest return. An information return made concerning interest paid but not in the course of the normal business of a bank, building society or other deposit taker. The name changed in 2014 from Type 18 return. Such returns in earlier years were required under section 18 of the TMA 1970. (see also BBSI above).

Person a legal person. In this guidance covers companies, associations and clubs as well as individuals. For partnerships, see paragraph 5.1.

PIBS Permanent Interest Bearing Shares – interest on these may be reported using the BBSI rules rather than the OI return ones (see paragraph 3.1).

Regulations Any reference in these notes that just mentions "regulations" by number such as "regulation 8" is a reference to the Data-gathering Powers (Relevant Data) Regulations 2012 (SI 2012/847). These regulations give details of relevant data for each type of data-holder.

Relevant Data This is the information that a data-holder can be required to provide to HMRC. For each group of data-holders there is a separate definition of relevant data in the Data-gathering Powers (Relevant Data) Regulations 2012.

SIR Savings Income Returns – those returns made under the Reporting of Savings Income Information Regulations 2003 (SI 03/3297) Last return required covered the year to 5th April 2016 inclusive.

Schedule 23 This is one of the schedules to the Finance Act 2011. It lays down the rules for HMRCs use of the data-gathering powers and the definitions of the various types of data-holder.

TMA Taxes Management Act 1970 - the primary law covering the main themes and powers for Income Tax and Corporation Tax.

Note: HMRC use phrases such as "you need not report here" or "do not report" in several places in these notes. In each place, it means, "You need not report on a BBSI return". Information you do not need to report on a BBSI you **might** need to report on another return, e.g. an OI, ESD or ISA return. The phrase does **not** mean that just because the information is not reportable on your BBSI return you do not need to report it to HMRC at all.

LATEST INFORMATION

HMRC try and provide you with the most up-to-date information. It is possible, however, that they may need to make changes at short notice or add further help to the website (see link in paragraph 3.4) after this guidance note has been published. Where they do make changes after publication HMRC will bring them to your attention in the notice they send you to tell you that you must make a return.

2. BBSI returns for the tax year 2016/17

2.1 Reporting for previous years and other types of reports

These notes only relate to making a BBSI return of relevant data to HMRC for the tax year 2016/17. Guidance on making BBSI returns for 2015/16 is on the gov.uk website (see link in paragraph 3.4).

2.2 Background

People and businesses receive interest on their investments and savings. They may declare such interest on their tax returns and pay any tax due. Paragraph 12 of schedule 23 to FA 2011 (see paragraph 2.3) allows HMRC to require returns of the interest paid or credited so that HMRC's computers can compare the interest received with that declared on tax returns. HMRC generally exchange the information they receive on individuals for countries outside the UK, the Fully Reportable (FR) countries, with the Tax Authorities in those countries. Those Authorities send HMRC details of UK resident people who have received interest on accounts in their country.

HMRC tell you when they want you to make a BBSI return by sending you a notice. They issue such notices to banks, building societies and other deposit takers who, in the ordinary course of their business, receive or retain money on which interest becomes payable. Generally, they send out the notices at the end of February in the tax year you must report (see paragraph 3.3). The notice requires that you make a return of interest you have paid or credited and the persons to whom you have paid or credited it over the tax year specified in the notice. You must report your information in one of the formats HMRC specify in the notice. You have an obligation under the Data Protection Act 1998 (see paragraph 3.6) to protect the information while it is on its way to HMRC.

Do not combine your return with your report under the CRS provisions.

Throughout these notes, you should take the meaning of 'interest' to include dividends paid by building societies.

2.3 Law regarding returns of interest paid

The primary law under which these returns must be made is schedule 23 to Finance Act 2011 ("schedule 23"). It allows the Treasury to make regulations about what are relevant data. These regulations are called The Data-gathering Powers (Relevant Data) Regulations 2012 (SI 2012/847). For BBSI returns, the definition of who is a data-holder is laid down in paragraph 12 of schedule 23 and the regulations covering what data HMRC can require are regulations 5 to 10 inclusive.

The definitions of Alternative Financial returns, such as accounts compatible with Sharia law, are also laid down in paragraph 12 of schedule 23. A statutory instrument¹ that came into force on 1st September 2013 made changes to the wording of the regulations. These changes make sure that the Government's intention, to keep the BBSI reporting requirements the same as before schedule 23 came in, is fully met by the wording of the regulations. The changes apply to all periods covered by schedule 23.

These notes are HMRC's view of what the law means and how they apply the schedule 23 rules. The notes are to help those who get notices to make a BBSI return to send in returns that are accurate and on time.

2.4 National Insurance Numbers (NINOs)

Regulations 8 and 9 give HMRC power to ask for NINOs (National Insurance Numbers) for accounts opened on or after 6 April 2013. HMRC do not require you to collect NINOs for accounts opened during the tax year 2016-17. Former R85 notices used to include NINOs. You may continue to report these R85 data if you wish.

¹ The Data-gathering Powers (Relevant Data) (Amendment) Regulations 2013 (SI 2013/1811) as amended

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2.5 Enquiries and Flowchart

If, after reading these notes, you feel you need further advice please see the contacts information on the gov.uk website (see link in paragraph 3.4). The flowchart at Appendix 1 shows when you must make a return and what to report on it.

2.6 Fully Reportable Countries and changes to the list.

There are several changes coming to the fully reportable countries list over the years 2015-2017 to accommodate the changes as countries join take up CRS reporting. The countries reported in BBSI will shrink over this period until only the UK residents are left. In each case the switch over will be complicated by the different reporting years of the CRS and BBSI returns. Returns covering the switch over date may include data up to the end of the tax year rather than to the exact switch over date if your system only reports tax years. Thereafter you must report the countries on CRS to their correct time periods.

The Fully reportable countries list over the next few years will be:

For the tax year to 6 April 2015	... 6 April 2016	... 6 Apr 2017	... 6 Apr 2018
Report interest paid to individuals resident in the following Fully Reportable countries on your BBSI return.	<i>Australia, Canada, Japan, New Zealand, Norway, South Korea, USA; and Anguilla, Bermuda, Cayman Islands, Turks & Caicos Islands.</i>	<i>Australia, Canada, Japan, New Zealand, Norway, South Korea.</i>	<i>Australia, Japan, New Zealand.</i>	none

3. Returns

3.1 Who makes returns?

Every person who receives a BBSI notice must make a return. Sometimes you may also receive a notice to make an OI return (Other Interest). If this is the case, you must not report on your OI return information that you have or will report on your BBSI one.

You may switch the following types of interest, that should normally be reported on an OI return, to your BBSI return using the BBSI format and guidance:-

- **Building societies** that pay interest on 'Permanent Interest Bearing Shares' (PIBS);
- **Local Authorities** reporting interest paid, or credited, to individuals; and,
- **National Savings & Investments** reporting interest paid on some of their products.

If you are not required to make a BBSI return these must go on your OI return. The guidance note for making OI returns is available separately on the gov.uk website (see link in paragraph 3.4).

3.2 Delegation of the responsibility to make a return

If you receive a notice to make a return, you can arrange for a third party to complete it on your behalf. **You**, however, remain responsible that the return is accurate and gets to HMRC on time.

3.3 When do HMRC issue notices?

HMRC normally issue notices in the February before the end of the tax year that they relate to, for example, the 2009/10 notices were sent out at the end of February 2010. HMRC can, however, issue notices at any time up to four years after the end of the tax year. If you think that you may still receive a notice to report you should retain your records for four years from the end of the tax year.

The notice HMRC send you will include instructions about where to send your completed return. See paragraph 3.5 below for details of how to set out your BBSI return.

3.4 Link to the HMRC area of the gov.uk website

Advice on submission, guidance notes, contact information and examples of the forms that are available to help you make a prompt and timely return are accessible through the internet at:

<https://www.gov.uk/government/publications/type-17-and-18-bank-building-society-interest-and-other-interest-returns-of-interest-and-eusd/bank-and-building-society-bbsi-european-union-savings-directive-eusd-and-other-oi-returns-of-interest>

3.5 Format of the return

HMRC will accept data through Secure Electronic Transfer (SET), on CD-ROM, DVD, USB data-stick or paper. You may make your report as one file on a single item of media or you can send a separate item for each country. Once HMRC have received and uploaded your data they retain the media for only a short while before destroying and recycling them. HMRC no longer accept returns on floppy disks.

For those who want to use it, HMRC have produced a spreadsheet, which you can download from the gov.uk website (see link in paragraph 3.4). The spreadsheet was updated in February 2015 please only use this new version. You can then encrypt the completed spreadsheet and send it to HMRC by SET or copy it to an approved form of media and post it to the address in the notice. See section 8 for further details of the spreadsheet.

Rather than using paper forms, HMRC would prefer you to use the spreadsheet to submit returns of small numbers of clients. If you still want to make your BBSI return on paper, ring HMRC's Orderline on 0300 200 3610 and ask for the paper forms. The return must be on the paper forms HMRC send you; **HMRC cannot accept photocopies or internet downloads.**

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Instructions on how to complete the forms are on the gov.uk website (see link in paragraph 3.4). The notice HMRC send you will include instructions about where to send your completed return.

The information that you must report has not changed greatly from tax year 2005/06. The BBSI paper forms and spreadsheet are structured so that you could combine your BBSI and EUSD returns on the same form. The combined form included some items just for BBSI, some just for EUSD and some to be used in both sorts of return. EUSD returns are no longer required from UK financial institutions, however the structure of the BBSI return will be left unchanged for both tax years 2106-17 and 2017-18. Thereafter the return will probably shrink to include just the BBSI information. This end date has been chosen to coincide with the end of reporting for Fully Reportable countries on the BBSI return.

The EUSD parts of the combined return should be completed in line with the rules in the Electronic Flat Text File Specification or the spreadsheet depending on which reporting system you use. See the link in paragraph 3.4 for the specification.

3.6 Data Protection Act

Schedule 23 FA 2011 requires you to provide the information specified in the notice HMRC send you. The Information Commissioner's Office ruled the old law was exempt from the non-disclosure provisions of the Data Protection Act 1998 by virtue of section 35(1) of that Act². HMRC expect them to treat the new law in the same way. This exemption, however, only applies to the information specified in the notice HMRC send you. To be certain of fulfilling your Data Protection Act responsibilities, only report the information that they have specified in the BBSI notice.

The detail of section 35(1) means that you must still protect the information in your return while it is in transit to HMRC. They have added a section at the end of this note that details the provisions they have made for you to send them an encrypted return (see section 8). The security bulletins on the gov.uk website (see link in paragraph 3.4) give the latest data security information.

3.7 What is the time limit for making returns?

The notice will specify the last date for making your return. This will normally be the later of, either **30 June** following the end of the tax year that the notice relates to, or **four months** after the date of issue of the notice.

For example, notices sent out in February 2010 for the tax year 2009/10 specified that the return must be with HMRC by 30 June 2010. A notice issued on 24 March 2010 would normally say, "Send HMRC your return by 24 July 2010." You may send in your return before it is due.

3.8 Appeals against data holder notices

Unless the Tribunal has approved the giving of the notice, when HMRC give you a notice to provide a BBSI return you can appeal against that notice on any of the following grounds:

- it would be *unduly* onerous for you to comply with the notice or a requirement in it.
- you are not a relevant data-holder; or
- the data you have been asked to provide are not relevant data.

The first bullet does not apply to a requirement to provide data that form part of your statutory records (the records the tax laws say you must keep).

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<http://webarchive.nationalarchives.gov.uk/20090105194503/http://www.ico.gov.uk/upload/documents/library/data_protection/practical_application/disclosures_of_personal_information_taxes_management.pdf>

3.9 Penalties

If HMRC give you a notice to make a return, but you fail to do so by the due date, you will be liable to a penalty of £300. If you still do not make a return, HMRC can impose a further penalty of up to £60 for each day that the return is not made after the date they impose the initial penalty.

If you still do not make the return, the law allows HMRC to apply to the First-tier Tribunal for a penalty of up to £1,000 per day.

To avoid a penalty of up to £3,000 for an incorrect return, take reasonable care when making your return and do not make a deliberately incorrect return.

4. What to put on your return

4.1 Which accounts must you report on?

You must report on all accounts that have interest paid or credited for any of your investors who are:

- persons (including associations, companies and clubs) with UK addresses; or,
- individual investors who have an address in a 'Fully Reportable' (FR) country.

The list of Fully Reportable (FR) countries is on the gov.uk website (see links in paragraphs 2.6 and 3.4).

In the rest of these notes, persons who meet this definition are called 'reportable persons'.

You must include payments on Sharia compatible accounts and other types of alternative financial arrangements in your return as if these amounts were interest (see paragraph 2.3).

Some queries have come in as to whether the UK is a Fully Reportable country. As you can see from the above definition such a question is misleading since the definition of reportable person covers the UK and the Fully Reportable countries.

The list of FR countries for 2014/15 is on the gov.uk website (see link in paragraph 3.4). HMRC give 6 months notice of any change to the list of FR countries.

For the 2015/16 tax year HMRC made all the Prescribed Territories into Additional Fully Reportable Countries (AFRC) to cover the countries that had to be reported in the PPIAFRC return (see PPIAFRC return note on the website link in paragraph 3.4).

The PPIAFRC return only covered the tax year 2015/16. Thereafter such information will only be reportable, if it is reportable at all, on the CRS return under the CRS rules.

The concession, under which some people made returns of all interest they paid or received for all investors, irrespective of their address or status, was withdrawn on 6 April 2005 and cannot be used for tax year 2016/17.

Under almost all circumstances, the information you need to report you will have needed to collect for your Know Your Customer (KYC) checks.

4.2 Reporting on persons and bodies of persons, other than individuals

Other than individuals or partnerships of individuals (see paragraphs 5.1 and 5.2), you do not have to report on the accounts of persons, or bodies of persons, who have an address outside the UK. This means that you do not have to report on companies that are not resident in the UK.

4.3 What information must be included in the return?

You must report the same information whatever type of account or person you are reporting on. You must always include:

- the name(s) and address(es) of the payees to whom you have paid or credited the interest. In some cases, details of the beneficial owner may be reported in addition to, or instead of, those of the payee (see paragraphs 4.10 and 4.11.2);
- the amount of interest paid before deduction of any tax. If an overseas withholding tax has been deducted, you may report either the amount after the deduction of that tax or the gross amount before deduction, provided you report consistently throughout your return;
- any UK tax deducted;
- an indicator to identify a joint account and, if you know it, the total number of parties to that account;
- the dates of birth and National Insurance Numbers (NINOs) of the payees where this information has been provided to you in relation to the account (where you hold an R85 form, see paragraph 4.10);

- the account number including, where applicable, the sort code or branch. If you use a unique identifier to link a number of money market accounts, you should report this identifier on your return instead of an account number;
- an indicator to identify accounts on which interest has been paid for the first time;
- an indicator to show where the interest reported is in a currency other than sterling and the SWIFT code denoting which foreign currency you have reported; There is a link to the SWIFT codes on the gov.uk website (see link in paragraph 3.4).
- interest on Qualifying Time Deposits (QTDs) you pay to reportable persons.

4.4 What interest should not be included on the return?

Do not report interest payable:

- to persons resident outside the UK who are not individuals or partnerships of individuals (see paragraph 5.1). If the account has an address outside the UK and the account holder is expressed on your system as an 'entity' rather than an individual, no report is required. Such an 'entity' does not include a partnership of individuals;
- to central monetary institutions and international organisations designated by order under section 774 of ITTOIA (formerly section 324 of ICTA). A list of these is at Annex A;
- on certificates of deposit (including transferable paper);
- on ISAs (but see paragraph 4.6);
- in respect of inter-bank (including building society) deposits (including deposits via a broker). This exclusion only covers the situation where a deposit-taker or building society pays interest to a broker in the knowledge that the deposit is beneficially owned by a deposit-taker or building society. It does not exclude all deposits placed via a broker;
- on investments held at a branch situated outside the UK;
- on SAYE/Share Save Schemes;
- to (approved or) registered pension schemes. You do not need to report interest paid to the trustees of a pension scheme, including a SIPP or SSAS, which has been approved or registered by HMRC (see paragraph 4.7 for the changes from 'approved' to 'registered');
- to the trustees of a non-resident pension scheme for interest on the scheme;
- in respect of syndicated loan interest; and
- on Child Trust Funds or JISA (Junior ISA) accounts.

4.5 Designated client accounts

You should report general information in accordance with paragraph 4.3. You should also report the additional information detailed in paragraphs 4.10 and 4.11.2 for beneficial owners who have registered (by R85 or R105) for payment of interest without deduction of tax (i.e. gross payment). The changes to tax deduction at source for interest (TDSI) announced in Summer and the introduction of the Personal Saving Allowance from April 2016 will mean that you will no longer receive R85 or R105 forms. You may continue to report using the R85 and R105 extra information laid down in paragraphs 4.10 and 4.11.2 for returns in years 2016-17 and 2017-18 if your system cannot quickly be changed. The spaces on the return for reporting R85 and R105 information are likely to be changed after that.

If a professional firm holds the account on behalf of a client, you do not need to report details of the partners in the firm (see paragraph 5.2).

4.6 Invalid ISAs

You should report interest paid or credited to:

- an invalid ISA;

- an ISA that has been repaired, up to the date of repair.

If the ISA is repaired or the ISA is found to be invalid before you send HMRC the return, show the correct position on the return. If you have already sent in the return when either of these happen, do not send a further return but keep details for production at the audit.

4.7 Registered Pension Schemes (formerly approved schemes)

HMRC used to 'approve' pension schemes that met certain criteria and issue them with an approval letter. Where they passed this letter on to an interest payer, that payer did not have to report the pension scheme's interest on their BBSI return. This scheme changed on 6 April 2006. Pension schemes are now 'registered with HMRC' not 'approved by HMRC'. Almost all schemes that had been approved by HMRC before the change date were transferred directly to the register on that date. Where a pension scheme opened an account after April 2006, it must download details of its registration and give these to the interest payer as evidence of its registration. Interest payers can rely on previously lodged approval letters as proof of registration for existing accounts / schemes unless they have evidence that the scheme is no longer registered.

4.8 Addresses

Reportable addresses are those that are in the UK or an FR country.

You must be able to show the HMRC auditor:

- **why you have included, or excluded, any payment or credit of interest from your return; and,**
- **that the addresses reported (or not) are the addresses of the persons interest has been paid or credited to.**

4.8.1 Customers with more than one address

Individuals

The investor's address you should report is their residential address. Where your system only holds a correspondence address, and it is not possible to report the residential address, only then can you report the correspondence address. The auditors will investigate where you report an address other than the residential address.

You **must** report the permanent residential address if you hold an R85 or R105 completed on or after 6 April 2001 (see paragraphs 4.5, 4.10 and 4.11.2).

This may mean that you need not report some interest. For example, if you hold a correspondence address in Norway, an FR country, for a Russian investor, you need not return details of the account if you also hold their residential address in Russia, which is not an FR country.

Company

The address you should report is the registered office address but the correspondence address is acceptable if your system only holds that and so you cannot report the registered office address.

For example, you would not normally report interest paid to what appears to be a French company but if you only have a UK correspondence address for that company, you should include it on your return.

4.8.2 Changes of address

Generally, it is an individual's address at 5 April (the end of the tax year) that matters (but see paragraphs 4.8.3 and 5.5). If an investor has a reportable address at that date, include them on your return for that year.

If your system is set up so that the decision whether to report is based on information available on the date any interest is paid or credited, HMRC will accept your report of that information.

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4.8.3 Closed accounts

Report any interest paid or credited to the account if there was a reportable address on the date that it was closed. If you hold a later address on your system, it can be used as the basis for reporting (or non-reporting if the later address is not in the UK or an FR country).

4.8.4 P.O. Box addresses

A P.O. Box address can be reported as a correspondence or payee address. You can report it as a principal residential address **only** if it is an acceptable residential address for the country in question, or that part of the country, and allows the investor to be traced. It is for you to check that a P.O. Box address is the norm in a particular country. You may accept confirmation from the investor that a P.O. Box address is their residential address and the norm for the country, or for that part of the country, unless you have information to the contrary, for example from your dealings with other investors in that country. You must get confirmation in all cases where you put a P.O. Box address on your return as the principal residential address and keep this confirmation for the HMRC auditor.

4.8.5 BFPO and Care of (C/o) addresses

You must query a BFPO or C/o address whenever it is shown as the investor's principal residential address. You must get confirmation from the investor that it is their principal residential address and keep the confirmation for the auditor.

4.8.6 'Hold Mail' addresses

For accounts opened on or before 5 April 2001 'Hold-Mail' can be reported, if that is the address held on your system (even if the address is held in a file or paper record). For accounts opened on or after 6 April 2001, HMRC will not accept 'Hold-mail' and you must report a full address. Normally that will be the address you would send correspondence to if there were no 'Hold mail' instruction. The only exception is for additional accounts, opened by existing NOR investors, who gave you a valid R105 before 6 April 2001 and whose circumstances have not changed (see paragraphs 4.11.1 and 4.12). In such cases, HMRC will accept a 'Hold-mail' address.

For example, if the address held is "Hold mail c/o XYZ Bank, Sheffield branch", this must be reported, but if the address is neither in the UK nor an FR country, for example, "Hold mail c/o XYZ Bank, Dubai branch", this need not be reported.

4.8.7 Whereabouts unknown

If you are reporting a payment of interest made before the payee went "whereabouts unknown" report based on their last known address. Do not report if you were unable to pay interest because the investor's whereabouts were unknown. If you subsequently discover the investor's new address and pay the outstanding interest, you should report the full payment for the year in which you actually make it and for the new address.

If your system reports by the date interest is payable you may report that interest as if it had been paid (using the last known address), provided this only happens in a small number of cases and suppressing the report, and reporting in the tax year the payment is actually made, would be disproportionately expensive.

4.9 Dormant accounts transferred to the Reclaim Fund³

This is really just a further case of "whereabouts unknown". Money in accounts still dormant after 15 years can be transferred to a Reclaim Fund or equivalent charity scheme. The amount is transferred with all interest outstanding at that time, added in. You must not report this interest when you transfer funds to a Reclaim Fund. You need only report the interest accrued to the account if the owner comes forward and reclaims the money from the Reclaim Fund. In the tax year that you find the owner of the account, report all the interest that you had not reported while they were missing.

4.10 R85 cases

New guidance

³ "Reclaim Fund" has the meaning given by type 5(1) of the Dormant Bank and Building Society Accounts Act 2008.

Guidance note for BBSI return 2016/17

This form is part of the TDSI system which is stopping in April 2016. If your systems are set up to record and report use of the forms then you can continue to report these forms on your BBSI return so long as you use all the old guidance in this paragraph. You do not have to continue to report use of these forms if you do not want to. You can just make the appropriate blank report in these places on your return as laid down by the Electronic Flat Text File Specification. (see link in paragraph 3.4).

Old Guidance

Some investors will complete an R85 form for their accounts. They will give the form to you to receive interest without you taking tax off. When reporting these, you must report the beneficial owner details shown on the R85 form, **in addition** to the payee details, if they are different (see paragraph 4.1). You **must** report the following details for the beneficial owner(s):

Name(s) and permanent residential address(es) including postcode;

Date(s) of birth; and,

National Insurance Numbers (NINOs) where they have been provided. This reporting of NINOs is an exception to the non-collecting of NINOs mentioned in para 2.4 above. You must still report these NINOs because they were reportable before the new regulations came in.

You must also report indicators that:

- show that the beneficial owner has registered for payment of interest without deduction of tax using an R85 form (the 'R85 signal'). This indicator must not be used where interest has been paid without deduction of tax for any other reason;
- identify joint accounts and, if you know, the number of parties to the account;
- show where you have paid the interest partly after deduction of tax and partly without deduction of tax (i.e. gross). For example, where there is partial registration. For accounts where part of the interest has been paid gross and part after deduction of tax, report the dates of birth and NINOs of joint account holders who have not registered for payment of interest without deduction of tax if that information has been provided in connection with the account;
- identify accounts on which interest has been paid for the first time;
- show interest paid in a currency other than sterling, together with the SWIFT standard code for that foreign currency.

4.11 R105 cases

New guidance

This form is part of the TDSI system which is stopping in April 2016. If your systems are set up to record and report use of the forms then you can continue to report these forms on your BBSI return so long as you use all the old guidance in these paragraphs 4.11 and 4.12. You do not have to continue to report use of these forms if you do not want to. You can just make the appropriate blank report in these places on your return as laid down by the Electronic Flat Text File Specification. (see link in paragraph 3.4).

Old Guidance

An R105 declaration that an investor is Not Ordinarily Resident in the UK (NOR) gives you authority to pay them interest without deducting tax. It also includes an undertaking by the investor to notify you immediately if they cease to be NOR. From 6 April 2001, the declaration must include the names and addresses of the persons beneficially entitled to the interest.

4.11.1 Declaration on R105 form received on or before 5 April 2001

For an R105 received on or before 5 April 2001, you must report the information laid down in paragraph 4.3. If the form includes the principal residential addresses of the persons beneficially entitled to the interest, you may report those details instead of the payee details.

4.11.2 Declaration on R105 form received on or after 6 April 2001

For an R105 received on or after 6 April 2001, you must report:

- the name(s) and principal residential address(es) of the person(s) beneficially entitled to the interest, not those of the payee; and,
- an indicator to show that you have paid the interest gross because of an R105 received on or after 6 April 2001.

The principal residential address you report must be one of the following:

- the address shown on the R105, (you can report this address for as long as the R105 remains valid. You do not need to report one of the alternatives shown below);
- for the second or subsequent year that gross payment is supported by the R105, you may report a more up to date address you know to be the principal residential address; or,
- for the fourth or subsequent year that gross payment is supported by the R105, you may report the correspondence address held on your system. If you hold more than one correspondence address, report the address that you use for normal correspondence.

Your obligations are limited to checking that the address you report falls into one of the three categories above.

4.12 Investors with more than one account

An R105 declaration made on or before 5 April 2001 will not normally cover accounts opened on or after 6 April 2001. A new R105 is not required, however, where an investor that you are paying gross interest to on the authority of a valid R105 opens an additional account. This is only if you are satisfied that:

- the new account is in the same beneficial ownership as the existing one;
- the investor's circumstances have not changed so as to make the existing NOR declaration invalid; and,
- there is an audit trail between the new and old accounts.

By audit trail HMRC mean that the decision to pay gross is recorded by the NOR supervisor and cross-referenced from the original R105 NOR declaration to the new account. It is important that the NOR supervisor records that they have examined the existing declaration if it is not possible to make a note on the declaration itself, for example, because it is held on microfiche.

Where an account has been registered for gross interest by an R105 on or after 6 April 2001, and then the same investor opens a new account, strictly, they should make a new declaration. If, however, the three conditions above are met, you can treat the new account as covered by the existing R105.

If an investor completes or withdraws an R105 declaration part way through the year so that they receive some interest under deduction of tax and some gross you should strictly make two reports. One of the interest paid with deduction of tax, giving details of the payee. The other of the interest paid without tax deducted, giving details of the individual beneficially entitled to the interest. You may, however, make a single report for the year, giving details of the beneficiary, together the whole amount of interest paid for the whole year and all the tax deducted from part of that interest.

4.13 Changes to TDSI affecting BBSI returns

From April 2016 the TDSI system (including the R85 and R105 forms) will be withdrawn and replaced with a personal savings allowance. Even though no new R85 or R105 forms will be coming in for your accounts, it does not automatically follow that the ones you already have logged will just vanish from your computer systems. The format of the BBSI return will only be changing for tax year 2018/19 at the earliest. Therefore you may continue to report existing R85 and R 105 data if your system is set up to do that and if it would be too onerous to make changes immediately. You must however report the forms as laid down in the old guidance in paragraphs 4.10 to 4.12. If you wish to stop reporting R85 and R105 data you can but you must still complete the R85 and R105 places in the return as if you did not have any data to put in them.

4.14 Continuing to make BBSI returns

BBSI returns will continue even if the interest earned on the account is below the personal savings allowance since the person may have more than one account and may have to pay tax on the total earned.

5. Particular cases

5.1 Partnership and joint accounts

A partnership or joint account is reportable if **any** of the partners or joint holders is a reportable person (see paragraph 4.1). Always report the total amount of interest paid.

If only one or two of the partners or joint holders are reportable persons, report the:

- name of the account or holding title as being the 'client name';
- names of the reportable partners as 'participants'; and
- total number of partners or joint holders where you know it, including any who are not reportable, as the 'number of participants'.

If more than two of the partners or joint holders are reportable persons, you need only report the:

- name of the account or holding title as being the 'client name';
- first two named reportable partners or joint holders to the account or holding as 'participants'; and
- total number of partners or joint holders where you know it, including any who are not reportable, as the 'number of participants'.

If two or more of the partners or joint holders you are reporting are individuals with the same address you may combine their entries in one report.

5.2 Professional partnerships

For professional partnerships, for example, law or accountancy firms, you can make a single entry on your return for each account in the partnership name. A 'professional partnership' here is one that is regulated by an independent body or that would be so regulated if it were established in the UK.

5.3 Foreign currency accounts

You may report interest paid on a foreign currency account either in:

- **that foreign currency** – the return must include an indicator to show that it is a foreign currency account and also show the SWIFT code for that currency (a list of SWIFT codes is on the gov.uk website (see link in paragraph 3.4),

or

- **sterling** – you should convert the foreign currency to sterling at the rate at which any tax was converted to sterling for payment to us. Otherwise, you may use a rate in force at the date the interest was paid, for example, a period end rate. Please be consistent in the format of your report.

5.4 Reporting on Trusts

If you pay interest to a Trustee who is a reportable person then report their details.

But

- if the account is registered for gross payment of interest under an R85 form – report the extra details shown in paragraph 4.10; or,
- if an NOR individual in an FR country (see paragraph 4.1) is beneficially entitled to the interest **and** you received a R105 or R105DAT form on or after 6 April 2001, report the details of the individual beneficially entitled to the interest (see paragraph 4.11.2).

Sometimes you will pay interest direct to the beneficiaries of Bare, Interest in Possession or Life Interest, Trusts. You must report such interest where the beneficiary of the trust is a reportable person.

5.5 Deceased Investors

You must report interest paid to, or received on behalf of, deceased reportable individuals up to their date of death, in their name and at their last known address.

Report interest paid to executors if one or more of them is a reportable person. This makes reportable the situation where a UK bank, as a deposit-taker, pays interest on an account held by the same UK bank as executor. If there is more than one executor, the rules for reporting joint holdings and professional partnerships (paragraphs 5.1 and 5.2) apply. Report interest paid or credited through the period of executorship tax year by tax year.

Executors (such as the UK bank in the example above) need only report interest they have paid or credited once they have assigned the assets that gave rise to it to a beneficiary who is a reportable person. Only report interest paid from the date the assets were assigned to that beneficiary.

6. Audit and retention of records

6.1 Systems and controls

From time to time, HMRC will audit BBSI returns to check both the accuracy and completeness of the information you have reported. The auditor will conduct a walkthrough of your systems and controls for identifying, capturing and reporting appropriate interest and clients.

6.2 Accuracy of returns

To test that the information reported is accurate, the auditor will extract a statistically valid sample (using 68% confidence levels) from the return. They will check the sample against information held on your system, customer files and account statements to ensure that you reported the amounts of income and personal details correctly.

6.3 Completeness

To test that the return is complete, the auditor will check sample cases against the return to ensure you have correctly identified:

- reportable and non-reportable payments;
- reportable and non-reportable persons; and,
- reportable and non-reportable addresses,

and correctly included, or excluded, them, as appropriate.

6.4 Independent audit of excluded accounts

By arrangement, HMRC will allow you to appoint an independent auditor, at your expense, to review the product types, client types and addresses you have excluded from your return. They will select statistically valid samples from your excluded accounts (using 68% confidence levels) and check that you have properly excluded those customers from your return. This avoids HMRC staff looking through accounts in which there is generally no UK tax interest.

The independent auditor's report will be an integral part of HMRC's audit. The auditor must be registered under the Companies Act 1989 and experienced in carrying out audits of the business of an institution such as yours.

If you wish to arrange this, contact HMRC through the link in paragraph 3.4 with details of the auditor you are proposing. You may apply at any time. HMRC will acknowledge requests within 30 days of receipt.

The independent auditor must send the results of their review to HMRC's auditor within 21 days of the completion of the work. HMRC's auditor will be able to tell you where to send the results. They will form part of HMRC's audit report. HMRC normally issue HMRC's report within 28 days of the completion of HMRC's audit.

6.5 Results

If you cannot explain to HMRC's satisfaction any material difference between the results of the audits, HMRC may request that the independent auditor do further work or carry out the work ourselves. If HMRC discover errors, HMRC may ask you to undertake further work to identify the source of the problems and put them right.

6.6 Retention of records

You must retain all the records you used to make up your return for two years after the end of the period of the return. Thus, you must retain all records for the 2016/17 return period until 06/04/2019.

7. European Union Savings Directive (EUSD)

7.1 Interaction between BBSI reporting and EUSD

The European Union Savings Directive (EUSD) was brought into effect in the UK, by the Reporting of Savings Income Information Regulations 2003 (SI 03/3297). The EUSD reporting requirements ended with the next end of the tax year after 1/11/15. For UK financial institutions this meant the last return period was for UK tax year ending 5/4/15. The data reported under the EUSD, interest paid to investors resident in other parts of the EU, will be included, from 1/1/2016, in the CRS system for reporting foreign resident investors with UK accounts.

Although the EUSD reporting boxes will remain on the return, no EUSD information should be put in these for the 2016/17 tax year; or for any return thereafter.

8. Data Protection and security of returns

8.1 Your responsibilities under the Data Protection Act 1998 (DPA)

HMRC do not set any particular security standards for data coming to them from businesses. HMRC are happy to work with anyone who needs to send them data to help keep it secure while it moves. Under the DPA, you are responsible for the security of personal data until HMRC have received it. HMRC currently secure outgoing data to businesses in the following ways and they encourage everyone to be this careful when transferring information to them.

8.2 What encryption does HMRC use?

HMRC encrypt data to 256-bit standard with a 20 character complex password onto computer media (normally CD/DVD). A secure courier transports the media in secure and tamper evident packaging. A named individual signs for it when received. HMRC send the password separately.

8.3 What is the latest published security advice for my return?

HMRC update their advice from time to time and publish it on the gov.uk website. The security advice for your BBSI return is the same as for returns of a number of other schemes. It is in the Returns Bulletin part of the gov.uk website (see link in paragraph 3.4)

8.4 What if I want to use the spreadsheet?

Some people used to make paper returns because it was easier than using the electronic flat text file specification to create a computer file for just a handful of clients. As an alternative, given the widespread use of spreadsheets, HMRC produced a spreadsheet that you can type your return data into. Rather than using paper forms, HMRC would prefer you to use the spreadsheet to submit returns of small numbers of clients. You can download it from the gov.uk website (see link in paragraph 3.4).

The spreadsheet contains two worksheets. One has guidance on it to help you complete and send in your return. The other (the data worksheet) is for you to enter your data on. Complete instructions about how to complete each column are included within the data worksheet. There is no need to ask permission to use it. It is in Excel format from Microsoft Office version 2003 onwards.

There is no limit to the number of records that you can put on one spreadsheet but please only put your data on one worksheet. Do not delete either worksheet or add any more worksheets.

You can submit completed spreadsheets via SET (HMRC's preferred method) or on one of the approved media formats detailed in paragraph 3.5 above or the specifications on the gov.uk website (see link in paragraph 3.4). An advantage of the spreadsheet is that you can encrypt it following the advice in the latest returns bulletin on the gov.uk website and then post it to HMRC at the address shown in their BBSI notice to you. The latest returns bulletin also contains the arrangements to follow to send your encryption password to HMRC.

9. Annex A

9.1 List of Organisations and Communities (referred to in paragraph 4.4)

Central monetary institutions and international organisations designated by order under section 774 of ITTOIA 2005 (formerly section 324 of ICTA 88).

Organisation	Statutory Instrument number
The Asian Development Bank	SI 1984/1215
The African Development Bank	SI 1984/1634
The European Economic Community	SI 1985/1172
The European Coal and Steel Community	SI 1985/1172
The European Atomic Energy Community	SI 1985/1172
The European Investment Bank	SI 1985/1172
The European Bank for Reconstruction and Development	SI 1991/1202

10. Appendix 1 What to put on the return

