

HMRC internal manual

International Exchange of Information Manual

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IEIM8000360 - Branches

Branches are within scope of the CARF. Branches are included within Section I A(4) of the nexus rules. Section I (B) of the CARF states a RCASP is subject to reporting and due diligence requirements with respect to transactions effectuated through a branch. Where there are multiple branches within a group which effectuate transactions, each branch will have a reporting and due diligence requirement, unless the transactions effectuated through the branch are reported by another branch.

If an RCASP is subject to reporting and due diligence requirements in a jurisdiction where it has a branch and the RCASP does not have a higher nexus in a jurisdiction that has implemented the CARF, the branch will report all the transactions effectuated by the entity, not just those of the branch. This is subject to the exception below which is applicable only during the initial implementation of the CARF.

This exception to reporting will only apply where the RCASP that has a UK branch is located in a jurisdiction which has committed to commence CARF exchanges in the years 2027, 2028 and 2029. This has been confirmed in the OECD FAQ (<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-transparency-and-international-co-operation/faqs-crypto-asset-reporting-framework.pdf>)

Jurisdictions are implementing the CARF at different times, reflecting their domestic circumstances. This may mean that some UK branches are required to undertake reporting and due diligence of the whole RCASP for a limited period, before the reporting obligation transfers to the parent entity due to the application of the nexus rules.

As an exception, during the initial staggered implementation of the CARF, a UK branch may complete the reporting and due diligence requirements in the UK only in relation to relevant transactions effectuated by that branch.

The OECD maintains a list of Jurisdictions committed to implement the CARF (<https://www.oecd.org/content/dam/oecd/en/networks/global-forum-tax-transparency/commitments-carf.pdf>).

Example 1

Crypto Bank is a RCASP which is tax resident in a jurisdiction that is due to begin CARF exchanges in 2028. Crypto Bank has a branch in the UK. Given the staggered implementation of the CARF, and that Crypto Bank is tax resident in a jurisdiction committed to CARF exchanges in 2028, the UK branch will only be required to undertake reporting and due diligence on the transactions it effectuates, not the transactions of the entity it is a part of.

Example 2

Global Bank is a RCASP which is tax resident in a jurisdiction that has not committed to begin CARF exchanges in 2027, 2028 or 2029. Global Bank has one branch, located in the UK. Global Bank is

unable to apply the exception to reporting. Therefore the UK branch must complete due diligence and reporting on the transactions of the entity as a whole, including those of the branch.

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