

U.S. DEPARTMENT OF THE TREASURY


Press Center



Treasury, Switzerland Agree to Pursue Framework for Cooperation for Implementing FATCA

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New Agreement to Strengthen Cooperation in Combating Tax Evasion, Reduce Administrative Burden on Financial Institutions

WASHINGTON – The U.S. Department of the Treasury today jointly issued a [statement with Switzerland](#)  expressing mutual intent to pursue a framework for intergovernmental cooperation to facilitate the implementation of the Foreign Account Tax Compliance Act (FATCA) and improve international tax compliance based on the bilateral tax treaty between the United States and Switzerland.

The statement offers a framework for cooperation to facilitate FATCA implementation by supplementing direct reporting under FATCA by Swiss financial institutions with exchange of information on request pursuant to the bilateral income tax treaty with Switzerland.

“FATCA is an important part of the U.S. government’s effort to improve tax compliance. The intergovernmental framework announced today provides a second model for implementing FATCA in a way that addresses domestic legal impediments and reduces burdens on financial institutions. We welcome Switzerland’s willingness to strengthen and improve their cooperation with the United States in combating international tax evasion,” said Acting Assistant Secretary for Tax Policy Emily S. McMahon.

The framework contemplated in the joint statement issued today represents a second model for an intergovernmental approach to improving tax compliance and implementing FATCA (Model II). Model II establishes a framework of direct reporting by foreign financial institutions to the Internal Revenue Service (IRS), supplemented by information exchanged between the Swiss government and the United States government upon request.

Previously, the Treasury Department jointly issued a statement with France, Germany, Italy, Spain and the United Kingdom expressing mutual intent to pursue a government-to-government framework for implementing FATCA. The model contemplated in the prior joint statement (Model I) differs from the model announced today in that it contemplates reporting by foreign financial institutions (FFIs) to their respective governments, followed by the automatic exchange of this information with the United States. Treasury, in consultation with the jurisdictions participating in the joint statement issued in February, has been developing a model agreement that will serve as the basis for bilateral agreements with countries interested in adopting the intergovernmental framework contemplated in Model I and aims to publish this model soon.

Both intergovernmental models for implementing FATCA represent an important step toward addressing legal impediments to financial institutions’ ability to comply with the regulations.

The frameworks contemplated in the joint statements will serve as alternative models for the United States’ work with other countries, as Treasury officials continue to engage in discussions with foreign governments about the effective and efficient implementation of FATCA by their financial institutions.

FATCA was enacted in 2010 by Congress as part of the Hiring Incentives to Restore Employment (HIRE) Act. FATCA requires FFIs to report to the IRS information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. In order to avoid withholding under FATCA, a participating FFI will have to enter into an agreement with the IRS to:

- Identify U.S. accounts,
- Report certain information to the IRS regarding U.S. accounts, and
- Withhold a 30 percent tax on certain U.S.-connected payments to non-participating FFIs and account holders who are unwilling to provide the required information.

Registration will take place through an online system that will become available by Jan. 1, 2013. FFIs that do not register and enter into an agreement with the IRS will be subject to withholding on certain types of payments relating to U.S. investments.

Treasury and the IRS will continue to work closely with businesses and foreign governments to implement FATCA effectively. Updates and further information on FATCA can be found by visiting the FATCA page on www.irs.gov.

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