

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Releases Model Intergovernmental Agreement for Implementing the Foreign Account Tax Compliance Act to Improve Offshore Tax Compliance and Reduce Burden

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Agreement Developed with France, Germany, Italy, Spain and the United Kingdom Marks Important Milestone in Combatting Offshore Tax Evasion

WASHINGTON – The U.S. Department of the Treasury today published a model intergovernmental agreement (model agreement) to implement the information reporting and withholding tax provisions commonly known as the Foreign Account Tax Compliance Act (FATCA). Enacted by Congress in 2010, these provisions target non-compliance by U.S. taxpayers using foreign accounts. The model agreement announced today was developed in consultation with France, Germany, Italy, Spain, and the United Kingdom and marks an important step in establishing a common approach to combatting tax evasion based on the automatic exchange of information. These five countries, along with the United States, will, in close cooperation with other partner countries, the Organization for Economic Cooperation and Development, and, when appropriate, the European Commission, work towards common reporting and due diligence standards in support of a more global approach to effectively combatting tax evasion while minimizing compliance burdens.

“Today’s announcement is an important milestone in our joint efforts to combat offshore tax evasion and make our tax systems more efficient and fair,” said Treasury Secretary Tim Geithner. “This agreement implements FATCA in a way that is targeted and effective, while also providing a foundation for further international coordination. We appreciate that France, Germany, Italy, Spain and the United Kingdom were among the first jurisdictions to join us in this important effort and we look forward to quickly concluding bilateral agreements based on today’s model.”

The model agreement follows through on the commitment reflected in the joint statement issued with the same countries in February to collaborate on developing an intergovernmental approach to implementing FATCA. The model agreement is accompanied by another [joint communique](#) with France, Germany, Italy, Spain, and the United Kingdom, endorsing the agreement and calling for a speedy conclusion of bilateral agreements based on the model.

There are two versions of the model agreement - a [reciprocal](#) version and a [nonreciprocal](#) version. Both versions establish a framework for reporting by financial institutions of certain financial account information to their respective tax authorities, followed by automatic exchange of such information under existing bilateral tax treaties or tax information exchange agreements. Both versions of the model agreement also address the legal issues that had been raised in connection with FATCA, and simplify its implementation for financial institutions.

The reciprocal version of the model also provides for the United States to exchange information currently collected on accounts held in U.S. financial institutions by residents of partner countries, and includes a policy commitment to pursue regulations and support legislation that would provide for equivalent levels of exchange by the United States. This version of the model agreement will be available only to jurisdictions with whom the United States has in effect an income tax treaty or tax information exchange agreement and with respect to whom the Treasury Department and the Internal Revenue Service (IRS) have determined that the recipient government has in place robust protections and practices to ensure that the information remains confidential and that it is used solely for tax purposes. The United States will make this determination on a case by case basis.

FATCA was enacted in 2010 by Congress as part of the Hiring Incentives to Restore Employment (HIRE) Act. FATCA requires foreign financial institutions (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.

The Treasury Department and the IRS will continue to work with other governments and with businesses to implement FATCA and to achieve maximum consistency and standardization in the technical implementation of the agreed information exchange, including by providing more detailed guidance as necessary.

Updates and further information on FATCA can be found by visiting the FATCA page on www.irs.gov.

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