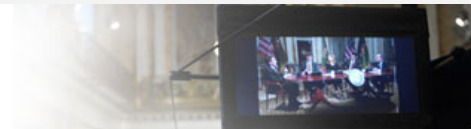


U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Takes Next Step in Effort to Curtail Offshore Tax Evasion

10/29/2013

Releases Proposed Guidance for Foreign Financial Institutions under the Foreign Account Tax Compliance Act

WASHINGTON – The U.S. Department of the Treasury and the Internal Revenue Service today issued a notice for foreign financial institutions (FFIs) to comply with the information reporting and withholding tax provisions of the Foreign Account Tax Compliance Act (FATCA). FATCA is rapidly becoming the global standard in the effort to curb offshore tax evasion. To date, Treasury has signed nine IGAs, has reached 16 agreements in substance, and is engaged in related conversations with many more jurisdictions.

The notice, which is the next step in implementation, previews proposed guidance and provides a draft agreement for participating FFIs directly engaging in agreements with the IRS and those reporting through a Model 2 intergovernmental agreement (IGA). It provides FFIs with advance notice prior to the beginning of FATCA withholding and account due diligence requirements on July 1, 2014. The FFI agreement will be finalized by year end.

"The Agreement and forthcoming guidance have been designed to minimize administrative burdens and related costs for foreign financial institutions and withholding agents," said Deputy Assistant Secretary for International Tax Affairs Robert B. Stack. "Today's preview demonstrates the Administration's commitment to ensuring full global cooperation and a smooth implementation."

Congress enacted FATCA in 2010 as a way to identify U.S. citizens using foreign accounts to evade their U.S. tax responsibilities. FATCA requires U.S. financial institutions to withhold a portion of payments made to FFIs that do not agree to identify and report information on U.S. account holders.


Treasury has taken a global approach to the exchange of tax information in its implementation of FATCA. To address situations where foreign law would prevent an FFI from complying with the terms of an FFI agreement, Treasury developed two alternative model IGAs. Under Model 1, FFIs report to their respective governments who then relay that information to the IRS. Under Model 2, FFIs report directly to the IRS to the extent that the account holder consents or such reporting is otherwise legally permitted, and such direct reporting is supplemented by information exchange between governments with respect to non-consenting accounts.

Today's notice provides guidance to FFIs entering into agreements directly with the IRS, and to those reporting through a Model 2 IGA. The notice incorporates updates to certain due diligence, withholding, and other reporting requirements, and includes a draft FFI agreement. The draft FFI agreement will be finalized by December 31, 2013. Treasury and the IRS will continue to provide more detailed guidance on FATCA implementation as necessary.

The regulations were intentionally designed to appropriately balance the scope of entities and accounts subject to FATCA with due diligence requirements, while also phasing in the related obligations over several years. For example, the final regulations exempt all preexisting accounts held by individuals with \$50,000 or less from review. For similar accounts with less than \$1,000,000, an FFI is only required to search the account information that is electronically available. In many cases, FFIs are permitted to rely on information that they already must collect for local anti-money laundering and know-your-customer rules.

Many of these cost-saving simplifications were the result of comments received from affected financial institutions and foreign governments, which helped us to tailor the rules to achieve the policy objectives of the statute without imposing undue burdens or costs.

While withholding requirements begin next July and the first report of FATCA information is due in 2015, the IRS FATCA registration website is already open so that FFIs can begin testing the registration process and entering information.

For the notice and draft FFI agreement, click [here](#). 

For updates and further information on the IRS FATCA page, click [here](#).

