

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Releases Last Substantial Rules Package to Combat Offshore Tax Evasion

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Amends FATCA Provisions and Coordinates FATCA Regulations with Preexisting Tax Rules

WASHINGTON – The U.S. Department of the Treasury and Internal Revenue Service (IRS) today released the last substantial package of regulations necessary to implement the Foreign Account Tax Compliance Act (FATCA). Each year, some wealthy individuals evade millions of dollars in taxes through the use of offshore financial accounts that are not reported to the IRS or other tax authorities. This international tax evasion is illegal, contributes to the federal debt, and creates inequity within the tax system. Congress enacted FATCA in 2010 with bipartisan support to target these illicit activities, and the provision has since become the global standard for promoting tax transparency. The proposed and temporary regulations released today make additions and clarifications to previously issued FATCA regulations and provide guidance to coordinate FATCA rules with preexisting due diligence, reporting, and withholding requirements under other provisions of the Internal Revenue Code (Code).

“Offshore tax evasion undermines confidence in our tax system and deprives the United States of revenues necessary to protect and provide for its citizens,” said Secretary Jacob J. Lew. “There is significant momentum to implement FATCA across the globe, and we will continue to work closely with our international partners to combat these illicit activities and raise global tax standards.”

FATCA seeks to obtain information on accounts held by U.S. taxpayers in other countries. It generally requires U.S. financial institutions to withhold a portion of certain payments made to certain foreign financial institutions (FFIs) that do not agree to identify and report information on U.S. account holders. This withholding regime acts as a backstop to the main focus of FATCA, which is to obtain the information about accounts held by U.S. persons and by certain foreign entities with substantial U.S. owners that is needed to detect and deter offshore tax evasion. To address situations where foreign law would prevent an FFI from reporting directly to the IRS the information required by chapter 4, Treasury developed two alternative model intergovernmental agreements (IGAs). These IGAs facilitate the effective and efficient implementation of FATCA information reporting in a manner that removes foreign law impediments to compliance, fulfills the information reporting objectives of chapter 4, and further reduces burdens on FFIs located in partner jurisdictions. The United States has signed agreements with 22 countries, and many more have either reached agreements in substance that are awaiting signature, or are well along in the process.

Final regulations for FATCA were published in January 2013, approximately a year and a half before FATCA withholding will go into effect on July 1, 2014. Since final regulations were issued, Treasury and the IRS have facilitated a smooth implementation by: (i) extending the start of withholding and account due diligence requirements by six-months to July 1, 2014; (ii) opening the FATCA portal in August 2013; (iii) issuing a final FFI Agreement for financial institutions in January 2014; and (iv) engaging in active discussions with stakeholders worldwide. Today's package builds upon this effort and includes amendments and clarifications in response to comments received on the final regulations released in January.

Although FATCA was added to the Code in 2010, financial institutions and other withholding agents have long been required under other sections of the Code to perform due diligence, report and, in certain cases, withhold with respect to certain payments. Specifically, Chapter 61 and section 3406 of the Code address the reporting and backup withholding requirements regarding payments to U.S. persons, while chapter 3 imposes withholding and reporting requirements regarding payments to non-US persons. Today's guidance coordinates the pre-FATCA regimes under chapter 3, chapter 61, and section 3406 with the requirements under FATCA to integrate these rules, reduce burden, and conform the due diligence, withholding, and reporting rules under these provisions to the extent appropriate in light of the separate objectives of each chapter or section.

This guidance has been submitted to the Office of the Federal Register (OFR) for publication and is currently pending placement on public display at the OFR and publication in the Federal Register. The version of the regulations released today may vary slightly from the published document if minor editorial changes are made during the OFR review process. The document published in the Federal Register will be the official document.

For more information, see Treasury's [fact sheet](#)  and [FATCA webpage](#).

View the temporary and proposed regulations:

[FATCA - \(Temporary Regulations under Chapter 4\)](#) 

[Coordination Regulations - \(Temporary Regulations under Chapters 3 and 61\)](#) 

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