

THE UNITED STATES FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)



**Prepared for the
Meeting with the Non-Bank Financial Sector
February 2014**

**Eastern Caribbean Central Bank
St Kitts**



Outline

- Overview
- Background on FATCA
- Key Provisions of FATCA
- FATCA Compliance Timeline
- Review of the Reporting Requirements
- Implications for the ECCU Financial Sector
- Legal Impediments to ECCU Compliance
- Conclusion



Overview

- This report seeks to provide a general introduction to FATCA



Background on FATCA

- On 18 March 2010, the US Government enacted FATCA to combat tax evasion by US persons holding investments in accounts outside of the US.
- FFIs to report to US IRS, information on assets of more than **US\$50,000** held by US taxpayers.
- Report on assets held by foreign entities in which US taxpayers hold ownership interest (**$\geq 10\%$**).
- Failure to comply could result in:
 - **30.0%** withholding tax.
 - Possible loss of correspondent banking relationships.
- **FATCA commencement date: 01 July 2014.**



Key Provisions of FATCA

Categories of responsibility under FATCA:

- Pre-Existing Accounts
- New Accounts
- Withholding
- Reporting



Key FATCA Dates

Key Activity	Due Date
Opening of IRS Portal for registration of all financial institutions	19 August 2013
Date for finalisation of registration on IRS Portal	25 April 2014
Circulation of list of compliant FFIs	2 June 2014
Commencement of submission of information to IRS by National Competent Authority	31 March 2015



Review of Reporting Requirements

FATCA requires the reporting of information on US persons holding accounts with FFIs. FFIs would be required to:

1. Undertake certain identification and due diligence procedures;
2. Report annually on account holders who are US persons or foreign entity with substantial US ownership interest;
3. Perform withholding duties.

Implications of FATCA for the Financial Sector



1. New Cost Centre
2. New Customer Acceptance and Due Diligence Procedures
3. Potential Loss of US Customers
4. Potential Loss of Correspondent Banking Relationships
5. Penalties for Non-Compliance

Legal Impediments to FATCA Compliance



- Sharing of confidential customer information is strictly prohibited except in the following circumstances:
 1. Where permission is granted by the customer;
 2. Under the provisions of the specific financial services legislation or Banking Act;
 3. As required by a court of competent jurisdiction; and
 4. Under the provisions of any other law, or multilateral agreement between governments.



Conclusion

- FATCA will require the allocation of significant resources by financial institutions.
- Reforms are being crafted at a systemic level for efficient implementation of systems that would allow for FATCA compliance.



THANK YOU