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on the terms of intergovernmental agreements (IGAs) under the Foreign Account Tax Compliance Act (FATCA) can be treated as having agreements in effect until the end of 2014.

Apr. 02, 2014

The Treasury Department and the Internal Revenue Service (IRS) have announced that jurisdictions that have reached agreements in substance with the United States on the terms of intergovernmental agreements (IGAs) under the Foreign Account Tax Compliance Act (FATCA) can be treated as having agreements in effect until the end of 2014.

The treatment will be available to jurisdictions that reach agreements in substance prior to July 1, 2014, and that consent to having the status of their agreements disclosed. As an increasing number of jurisdictions reach agreements in substance, today's announcement provides foreign financial institutions (FFIs) located in these jurisdictions with the guidance they need prior to the upcoming registration deadlines.

In addition, as part of the effort to facilitate an effective start of FATCA withholding on July 1, 2014, this announcement also provides FFIs with 10 more days to register and ensure that they will be included on the first IRS FFI list. The IRS can provide this extra time based on its assessment of the performance of its registration system to date.

To date, the United States has signed 26 IGAs. As of today, this announcement provides that 19 additional jurisdictions will be treated as having IGAs in effect, bringing the total number of jurisdictions that are treated as having IGAs in effect to 45. This list is expected to continue to grow in the coming weeks as additional countries provide consent to having the status of their IGAs disclosed and additional agreements in substance are reached.

“With 45 countries now considered to have IGAs in effect, and more jurisdictions far

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portion of certain payments made to FFIs that do not agree to identify and report information on U.S. account holders. Governments have two options for complying with FATCA: they can either permit their FFIs to enter into agreements with the IRS or they can themselves enter into IGAs with the United States.

The final regulations generally provide that, in order for withholding not to apply, withholding agents must verify the status of FFIs beginning on July 1, 2014. This announcement allows jurisdictions that have reached agreements in substance on IGAs before July 1, 2014, and have consented to be included on the list, to be treated as having IGAs in effect until December 31, 2014, and allows FFIs to register on the FATCA registration website consistent with that treatment. After December 31, 2014, only signed IGAs will be considered to be in effect. By treating jurisdictions that have reached agreements in substance on the terms of IGAs as jurisdictions that have IGAs in effect, the notice provides FFIs in those jurisdictions with certainty about their FATCA responsibilities this year.

Prior to this notice, FFIs were required to register by April 25, 2014 to ensure that they would be included on the first IRS FFI list. This is the only list that will be published before withholding begins. Today's announcement provides the assurance that FFIs will be included on this list if they submit a complete registration form by May 5, 2014, instead of April 25 as originally announced.

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