

Foreign Account Tax Compliance Act (FATCA)

What is FATCA?

The Foreign Account Tax Compliance Act (FATCA) is a component of the Hiring Incentives to Restore Employment Act passed by the United States (U.S.) Congress on 18th March 2010. The FATCA is geared towards combating tax evasion by US persons with income in Foreign Financial Institutions (FFIs) outside of the US.

Who is a US person?

- * U.S. Citizen;
- * U.S. Resident (e.g. Green card Holder);
- * Meets requirements as a “tax resident”; and has
- * U.S. indicia
 - U.S. place of birth
 - U.S. resident or mailing address (including a U.S. post office box)
 - Standing instructions to transfer funds to a U.S. account
 - Power of attorney or signatory authority with a U.S. address
 - U.S. in-care-of address or hold mail address that is the sole address the FFI has identified for the account holder
 - U.S. telephone number (no non-US telephone number on file).

What is a Foreign Financial Institution (FFI)?

Foreign Financial Institutions (FFIs) are institutions that:

- * Accept deposits in the ordinary course of banking or similar business;
- * Holds financial assets for the account of others as a substantial portion of its business;
- * Are engaged (or holding itself out as being engaged) primarily in the business of investing;
- * Are involved in reinvesting, or trading in securities, partnership interests, commodities or any interest in such securities, partnership interests or commodities.

Topics Discussed:

- * *What is FATCA?*
- * *Who is a U.S. person?*
- * *What is a Foreign Financial Institution?*
- * *How will FATCA work?*
- * *Compliance Officer (Responsible Officer) to identify reportable accounts*
- * *How will FATCA affect your customers?*
- * *What are the consequences to customers for not disclosing the information required by FATCA?*
- * *Target Audiences*
- * *What entities are exempted?*
- * *Going Forward.....*
- * *Puzzle*

How will FATCA work?

FFIs are required to register with the U.S. Internal Revenue Service (IRS) and would be assigned a Global Intermediary Identification Number (GIIN). Also, FFIs would be required to submit information on persons with U.S. indicia who hold accounts with them or own over ten percent (10%) of an entity that has an account with the FFI, where the accounts are valued over US\$50,000.



Compliance Officer (Responsible Officer) to identify reportable accounts

In relation to all financial accounts which a financial institution maintains, the financial institution shall appoint a Compliance Officer (Responsible Officer) who shall be responsible for maintaining arrangements that are designed to identify reportable accounts. The financial institution shall be taken to have complied with this obligation only if the arrangements meet the due diligence requirements.

How will FATCA affect your customers?

All customers will be subject to an electronic perusal of their accounts information. This perusal seeks to determine which accounts have US indicia. U.S. indicia include customers with U.S. citizenship or permanent residency. If these basic levels of indicia are identified, the customer will be required to disclose their legal name, address and tax information number (TIN). This information, as well as the account number, the account balance and the gross receipts and gross withdrawals or payments from the account will be sent to the IRS.



Target Audiences

The following stakeholders will be affected by the implementation of FATCA:

- * Banks and Bankers Association
- * Credit Unions and Credit Unions Association
- * Insurance Companies
- * Trust and Investment Companies
- * General Public

What entities are exempted?

The following entities are exempted from FATCA:

- * Government Entities
- * Internal Organizations
- * Central Banks (No Commercial Banking activities)
- * Retirement Funds

The U.S. Government enacted FATCA in March 2010 to reduce the incidence of tax evasion by U.S. persons. Consequently, countries around the world were required to sign an agreement with the U.S. Government as a commitment to partnering with the U.S. and facilitating compliance of FFIs located within their respective jurisdictions. The Government of St. Kitts and Nevis has opted to sign a Model 1B Inter Governmental Agreement (IGA), which involves designation of a Competent Authority within the Federation to act as an intermediary between the United States Internal Revenue Service (IRS) and the local FFIs.

Going Forward.....

The Competent Authority for the Federation of St. Kitts and Nevis will be the Financial Secretary, with responsibilities delegated to the Comptroller of Inland Revenue. The process for procuring the appropriate software for St. Kitts-Nevis is at an advanced stage. The software will facilitate the submission of information for FATCA purposes by the FFIs to the Competent Authority for onward transmission to the U.S. IRS in a format that meets their specifications.

H I J T N E N A M R E P I E J
Z D A B F O R E I G N H R W I
P E L M G O V E R N M E N T X
L N G O Q X V H N F L J C E W
A T A P H D F R J L A Z T A H
I I Y B Z G O E O Q K T G A R
C F E P F S J R N N G Q C K U
N I Q N O I T A R E D E F A F
A C Z R Z P E E T V Q F N Q V
N A G G M S R E M O T S U C K
I T H O R B H A C C O U N T S
F I C F L J E S U O T C R G Z
X O Y Q B H Z S F Y H R A T F
T N O R I N S T I T U T I O N
I V C N E Z I T I C J Z I U G

FATCA	FINANCIAL	IDENTIFICATION
FOREIGN	CUSTOMERS	COMPTROLLER
CITIZEN	GOVERNMENT	FEDERATION
PERMANENT	INSTITUTION	ACCOUNTS

Upstairs Karibhana, Liverpool Row, P.O. 898, Basseterre, St. Kitts
Tel: (869) 466-5048 | 467-1019/1591 Fax: (869) 466-5317
Website: www.fsrc.kn | Email: skanfisd@sisterisles.kn