



## Indian Banks' Association

### CORPORATE & INTERNATIONAL BANKING

No.C&I/FATCA/2014-15/184

June 18, 2014

To,  
The Chief Executives of All Member Banks

Dear Sir/Madam,

### Foreign Account Tax Compliance Act (FATCA)

United States of America (US) has introduced chapter no. 4 in the US Internal Revenue Code as a part of the Hiring Incentives to Restore Employment (HIRE) Act, which was enacted by the US legislature to create employment opportunities in US. The HIRE Act includes Foreign Account Tax Compliance Act (FATCA), which now forms a part of the US-IR Code. The regulations for FATCA have undergone revision since 2010 and the final regulations make the FATCA provisions effective from July 1, 2014.

2. The objective of FATCA is to detect "US Persons", who evade US taxes by using financial account maintained outside US. The US persons are defined as those who have either US citizenship or US residency. The FATCA stipulates reporting on -
  - i. US taxpayers about certain foreign financial accounts and offshore assets.
  - ii. Foreign Financial Institutions (FFIs) about financial accounts with them of US taxpayers or foreign entities in which US taxpayers hold substantial ownership interest.

FFIs are required to periodically report information on accounts of US persons, who maintain balances above a threshold. In the event of a default in the reporting of information on accounts of US taxpayers, a withholding of 30% of the payment made from US sources will be imposed on the recalcitrant account holders and non-participating Financial Institutions.

3. The FATCA provides for FFIs to register with the US IRS, obtain a Global Intermediary Identification Number (GIIN) and enter into an agreement with US IRS to report US accounts. To avoid entering into an agreement and direct reporting by individual FFIs to the US IRS, there is a provision for Inter-Governmental Agreement (IGA) between a Partner Government and US Government. The IGA arrangement provide for all FFIs that resident in / organized in the jurisdiction of a Partner Government to identify US accounts

