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I.G.A.
F.A.T.C.A.
T.I.G.T.A.

CENTRAL AMERICAN COUNTRIES MOVE TO COMPLY WITH F.A.T.C.A.

While Mexico, the largest Central American nation, signed an I.G.A. in April of 2014, other Central American nations are also deciding to join the F.A.T.C.A. bandwagon. Panama, which has the greatest number of U.S. residents in Central America along with Costa Rica, are leading an effort to have Central America move towards compliance by the September 2015 deadline. In May 2014, Panama reached an agreement in substance to adopt an I.G.A., and has been treated as if an I.G.A. has been in effect since then. Costa Rica had already signed a Model 1 I.G.A. in December 2013.

Though Guatemala has not yet signed an I.G.A., many local financial institutions have registered for direct exchange with the I.R.S. under the Treasury Regulations. It was reported that nearly 100 foreign financial institutions ("F.F.I.'s"), including 18 banks, ten stock brokerages, and 28 insurance firms have registered with the I.R.S. to start sharing information by March 31, 2015, as required under the Regulations with respect to F.F.I.'s in non-I.G.A. jurisdictions. Edgar Morales, operation sub-director at banking trade group Asociación Bancaria de Guatemala, said that unlike Panama or Costa Rica, where aggregating these lists of U.S. resident account holders "will be much harder," the process in Guatemala hasn't been so complex because "there aren't that many people who qualify under F.A.T.C.A. here." Guatemala has a robust banking secrecy law that forbids banks from sharing customer data with other government institutions, and therefore banks that register with the I.R.S. have to obtain privacy waivers from customers to be able to reveal their information under F.A.T.C.A.

El Salvador and Guatemala are the last Central American nations that have still yet to sign I.G.A.'s. Like Guatemala, El Salvador has strict secrecy laws which may be the reason for the government's reluctance to sign an I.G.A. However, local banks are reported to be registering with the I.R.S. for direct reporting.

Honduras, Central America's poorest country, has entered into a Model 1 I.G.A. in March 2014 and has made similar efforts to comply. Nicaragua has reached an agreement in principle to sign a Model 2 I.G.A. on June 30, 2014, which will be effective until December 31. Nicaragua will then have to sign an I.G.A. to continue avoiding F.A.T.C.A. withholding.

RUSSIA RELEASES F.A.T.C.A.-RELATED GUIDANCE

Russia has not signed an I.G.A. and is not on the I.R.S.'s list of countries that are on the verge of signing an I.G.A. Without an I.G.A., there is concern about how a local financial institution can comply with F.A.T.C.A. without violating local law on confidentially of accounts. The Russian government reported on June 30, a new law that would allow Russian banks to transfer data relating to F.A.T.C.A. directly to the I.R.S. upon client consent. Before submitting this information to the I.R.S., Russian banks will report this information to the Russian government.

On October 29, the Russian Central Bank released new guidance and provisions on how banks should implement F.A.T.C.A. In a series of letters to banking businesses and financial organizations, the Central Bank addressed issues such as whether the law requires financial institutions to identify only U.S. taxpayers and whether securities markets operators can change in-house criteria to identify foreign taxpayers. Russia's local legislation sets penalties for failure to comply with the provisions in the law.

The issue that still remains unclear is whether or not Russia will agree to sign an I.G.A. So far, there is no indication that this will happen.

T.I.G.T.A. RECOMMENDS IMPROVED SECURITY FOR F.A.T.C.A. REGISTRATION SYSTEM[60]

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Treasury Inspector General for Tax Administration ("T.I.G.T.A.") said that the I.R.S. has not implemented performance standards for the F.A.T.C.A. financial reporting system. An October 27 report, T.I.G.T.A. lists several standards it claims the I.R.S. has not fully implemented. This list includes evaluating the risks of using electronic signatures for the registration forms. The I.R.S. objected to the specific accusations, saying:

> T.I.G.T.A. asserts that contractors have maintained all information regarding the source of design and implementation of security in a proprietary fashion such that the I.R.S. has no access to the knowledge of such information. This is both inaccurate and misleading and leads to the inaccurate conclusion that there is potential security vulnerability in the design of the FRS based on such proprietary knowledge.

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60 For additional information on the October 27 T.I.G.T.A. report, see our discussion in Updates and Other Tidbits.

RECALCITRANT ACCOUNTS INFORMATION CAN BE SUBMITTED ON AN 'AD HOC' BASIS

The I.R.S. announced that foreign countries will be able to send information on recalcitrant U.S. accounts at any time. Foreign banks will make the information available to the host country's tax administration using the International Data Exchange Services ("I.D.E.S."), expected to launch in January 2015. This flexibility in transmission of data is also available for jurisdictions that have agreed to a schedule for information exchange in an I.G.A.

CURRENT I.G.A. PARTNER COUNTRIES

At this time, the countries that are Model 1 partners by execution of an agreement or concluding an agreement in principle are:

Algeria	Georgia	Netherlands
Anguilla	Germany	New Zealand
Antigua & Barbuda	Gibraltar	Norway
Australia	Greenland	Panama
Azerbaijan	Grenada	Peru
Bahamas	Guernsey	Poland
Bahrain	Guyana	Portugal
Barbados	Haiti	Qatar
Belarus	Honduras	Romania
Belgium	Hungary	Saudi Arabia
Brazil	India	Serbia
British Virgin Islands	Indonesia	Seychelles
Bulgaria	Ireland	Slovak Republic
Cabo Verde	Isle of Man	Slovenia
Canada	Israel	South Africa
Cayman Islands	Italy	South Korea
China	Jamaica	Spain
Colombia	Jersey	St. Kitts & Nevis
Costa Rica	Kosovo	St. Lucia
Croatia	Kuwait	St. Vincent & the Grenadines
Curaçao	Latvia	Sweden
Cyprus	Liechtenstein	Thailand
Czech Republic	Lithuania	Turkey
Denmark	Luxembourg	Turkmenistan
Dominica	Malaysia	Turks & Caicos Islands
Dominican Republic	Malta	Ukraine
Estonia	Mauritius	United Arab Emirates
Finland	Mexico	United Kingdom
France	Montenegro	Uzbekistan

The countries that are Model 2 partners are: Armenia, Austria, Bermuda, Chile, Hong Kong, Iraq, Japan, Moldova, Nicaragua, Paraguay, San Marino, Switzerland, and Taiwan.

This list is expected to continue to grow.

HUNDREDS RELINQUISH U.S. PASSPORTS

The number of Americans renouncing their U.S. citizenship increased by 39% in recent months. This increase is said to be related to local tax disclosure rules created as a result of F.A.T.C.A. implementation. The number of people giving up U.S. nationality at U.S. embassies reached 776 in the third quarter of this year, a significant increase from 560 in the same period last year.

More than six million Americans live overseas and the tougher asset-disclosure rules have prompted more of them to give up their passports. Over 9,000 Americans living overseas gave up their passports over the 5 years following the settlement between Swiss bank UBS AG and the I.R.S., in which UBS agreed to pay $780 million and report the names of thousands of U.S. account holders.

Those thinking of going down this path should recognize that an “exit tax” may be imposed, and it is very difficult to get a passport back once it is given up.

As of September, the fee to renounce U.S. citizenship was raised 400% to $2,350.