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The Asset | 2017-07-20

End-July FATCA renewal agreement deadline approaches for foreign banks

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Foreign financial institutions (FFIs) in Asia risk losing their FATCA Participating FFI status if they do not renew their agreements with the United States Internal Revenue Service (IRS) by July 31, according to tax specialist Buzzacott.

Any non-US financial institution that entered into an agreement before 2017 must renew the arrangement to continue reporting on tax-relevant information about clients who are US citizens or Green Card holders. The reporting requirement, which includes details on the names, addresses and account balances of US citizens, was enacted in 2010 to tackle the issue of nearly US\$400 billion of US tax revenue being lost every year to tax evasion.

With a high concentration of US expatriates in Hong Kong and Singapore, the IRS has focused its attention on encouraging financial institutions in the two cities to comply with its tax reporting requirements. According to Buzzacott, the next two weeks are a crucial window for private banks and private wealth managers in Asia who need to update their agreements accordingly.

Allan Wilkinson, director of Buzzacott, said, "We would suggest to financial institutions in the region which signed up to FATCA before 2017 to check their agreements and update them if necessary. Otherwise, they will be considered as a nonparticipating FFI as of January this year. It is important for financial institutions to maintain their Participating FFI status, otherwise their clients may be hit with a 30% withholding tax on any payments of income originating from the US."