FATCA and CRS: a new scenario

UniCredit Group Tax Affairs

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How the tax transparency went global …

BEPS Action Plans under the OECD framework

Measures adopted by the European Union

FATCA legislation

Common Reporting Standard – CRS

"A revolution in tax transparency"

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs, has welcomed the final package of Base Erosion and Profit Shifting (BEPS) measures that the Organization for Economic Co-operation and Development (OECD) adopted on 5 October 2015.

The **BEPS package** sets out a new international approach to corporate tax reform, aimed at preventing corporate tax avoidance and re-aligning taxation to the place of real economic activity.
"The OECD has done impressive work to help countries around the world find common solutions to common tax challenges. The final BEPS package published today, which identifies measures towards fairer and more effective corporate taxation worldwide, is a very important milestone towards greater ***tax transparency*** *and efficiency. We must now ensure that these measures are implemented consistently and coherently, to ensure a level playing field for all businesses and countries involved,"* said Commissioner Moscovici.
*"**The fight against tax avoidance** and the quest for fairer taxation are among our highest political priorities. The Action Plan that the Commission presented in June launched an ambitious process of corporate tax reform, aligned to the BEPS project and tailored to our Single Market. I will continue to work with Member States to ensure that BEPS is implemented in a coordinated way within the EU, in order to enshrine fairness in our tax systems,* ***protect governments' revenues*** *and safeguard EU competitiveness. We need to move forward decisively with this* ***revolution in tax transparency****, and the EU can lead the way - starting with a robust agreement on the automatic exchange of information on tax rulings (….)".*

TRANSPARENCY AND EXCHANGE OF INFORMATION

BEPS Action Plan

The need for improved **transparency** and **information exchange** is recognized under different Action Plans.

A number of the transparency measures under the Action Plan include requirements related to information exchange. The transparency framework developed by the Forum on Harmful Tax Practices in the context of the work on **Action 5** requires the compulsory spontaneous exchange of information in respect of rulings that could give rise to BEPS concerns in the absence of such exchange.

The guidance on transfer pricing documentation issued under **Action 13** also requires Multinational Enterprises (MNEs) to provide tax administrations with high-level global information on their global business operations and transfer pricing policies (**Country by Country Reporting**).

TRANSPARENCY AND EXCHANGE OF INFORMATION

The European Union initiatives – The Transparency Package

The European Commission presented the 18th March 2015 a package of transparency measures aimed at tackling corporate tax avoidance and harmful tax competition within the EU.

The package is fully in line with the work carried out in the OECD/G20 BEPS Project and reflects the long-standing co-operation with the EU on these matters.

OECD Secretary-General Angel Gurría welcomed the announcement and congratulated the Commission for the work done. "*The European Commission's initiative is another major step to tackle corporate tax avoidance. It confirms that the OECD/G20 BEPS Project is fully on point and that co-ordinated solutions are the best way forward. The message is clear: change is happening and* ***co-operation and transparency are replacing secrecy and harmful practices***".

The EU Package: Transparency on Tax Rulings

A key element of the Tax Transparency Package is a proposal to introduce the **automatic exchange of information between Member States on their tax rulings**.

Currently, Member States share very little information with one another about their tax rulings. It is at the discretion of the Member State to decide whether a tax ruling might be relevant to another EU country. As a result, Member States are often unaware of cross-border tax rulings issued elsewhere in the EU which may impact their own tax bases. The lack of transparency on tax rulings is being exploited by certain companies in order to artificially reduce their tax contribution.

To redress this situation, the Commission proposes to remove this margin for discretion and interpretation. Member States will now be required to automatically exchange information on their tax rulings. The Commission proposes to set a strict timeline: every three months, national tax authorities will have to send a short report to all other Member States on all cross-border tax rulings that they have issued. Member States will then be able to ask for more detailed information on a particular ruling.
The automatic exchange of information on tax rulings will enable Member States to detect certain abusive tax practices by companies and take the necessary action in response. Moreover, it should also encourage healthier tax competition, as tax authorities will be less likely to offer selective tax treatment to companies once this is open to scrutiny by their peers.

The legislative proposals of the package will be submitted to the European Parliament for consultation An agreement on the proposal has been reached by the European Council on 6 October 2015. The new measures, once the Directive is formally adopted, should be applicable starting from 1 January 2017.

The EU Package: Transparency on Tax Rulings

The Package also contains a number of other initiatives to advance the tax transparency agenda in the EU. These are:

(i) assessing possible new transparency requirements for multinationals;
(ii) reviewing the Code of Conduct on Business Taxation;
(iii) quantifying the scale of tax evasion and avoidance;
(iv) repealing the Savings Tax Directive.

The revision of the **Directive on Administrative Cooperation** (Council Directive 2014/107/EU amending Directive 2011/16/EU), adopted by the Council in December 2014, was a significant achievement. It ensures that the EU has a solid legislative framework for the automatic exchange of information and spells the definitive end of bank secrecy for tax purposes across the EU. **It requires Member States to automatically exchange a wide range of financial information with each other, in line with the new OECD/G20 global standard for automatic exchange of information between jurisdictions.**

EU PREVIOUS DIRECTIVES ON ADMINISTRATIVE COOPERATION

The previous Directive on mutual assistance – 77/799/EEC – was designed in a different context. Internal Market requirements and increased globalization made it clear Directive 77/799 needed to be updated. For these reasons, Directive 77/799/EEC was **repealed and replaced by Directive 2011/16/EU**.

The Directive **2011/16/EU was recently amended** by Council Directive 2014/107/EU which extended the cooperation between tax authorities to automatic exchange of financial account information.

On December 9, 2014 the ECOFIN Council formally **adopted Council Directive 2014/107/EU amending Directive 2011/16/EU** as regards mandatory automatic exchange of information in the field of taxation. The Directive was published in the Official Journal on December 16, 2014.

EU PREVIOUS DIRECTIVES ON ADMINISTRATIVE COOPERATION

The Directive 2011/16/EU as amended in December 2014 provides for **mandatory automatic exchange of information**, where information is available, in respect of five non-financial categories of income and capital, with effect from 1 January 2015 i.e. for 1) income from employment, 2) director's fees, 3) life insurance products not covered by other Directives, 4) pensions, and 5) ownership of and income from immovable property.

Since its amendment on 9 December 2014, the Directive also brings a list of **financial information** within the scope of the automatic exchange of information with effect from 1 January 2017. This information consists of interest, dividends and similar type of income, gross proceeds from the sale of financial assets and other income, and account balances.

TRANSPARENCY AND EXCHANGE OF INFORMATION

Other EU initiatives on exchange of information: the Expert Group work

The cooperation systems in place between EU Member States ensure information exchange between the tax authorities of EU Member States for a range of income categories paid across borders to individuals. As previously mentioned, the European Union has currently two pieces of legislation which provide automatic exchange of information for direct taxation purposes: the **Savings Taxation Directive** and the **Directive on Administrative Co-operation in Direct Taxation (DAC2)**.

On **March 2015**, the Commission's Expert Group "AEFI" (Automatic Exchange of Financial Accounts Information for Direct Taxation Purposes) released the first Report on the implementation of Directive 2014/107/EU for automatic exchange of financial account information (DAC2). The Report includes a list of the major outstanding issues regarding the implementation of DAC2 and provides recommendations or preliminary comments in respect of these issues.

FATCA AND CRS – AN HISTORICAL PERSPECTIVE

- For many years, the OECD has taken a leading role in developing policy and technical solutions for the exchange of information. For more than a decade, countries have been relying on the OECD Standard Magnetic Format (SMF) for exchanging tax information.

2003

- Since the adoption of the **EU Savings Directive** in 2003 as the first multinational automatic exchange of information programme, a lot of progress has been made in terms of increasing international co-operation in tax matters and global tax transparency.

EU SAVINGS DIRECTIVE

2010

- With the adoption of the Foreign Account Tax Compliance Act (**FATCA**) by the United States Congress in 2010 and against the background of the global financial crisis, a significant political momentum for putting in place a global automatic exchange standard developed

FATCA

2012

- In 2012 the five major European countries (the United Kingdom, France, Spain, Italy and Germany) agreed with the United States on a reciprocal exchange of FATCA information under Intergovernmental Agreements (**IGAs**) concluded between the United States and each of the five countries. In the same year the OECD presented a report on the automatic exchange of tax information, highlighting a broad range of existing programmes and recommending future action. The report was endorsed by the G20 at their Los Cabos summit.

FATCA IGAs

2013

- At the same time, the G20 showed an increased interest in putting in place a global AEOI standard, which in September 2013 leads to a **formal request to the OECD to develop a common reporting standard**.

FATCA AND CRS – AN HISTORICAL PERSPECTIVE

2014

- By February 2014, the OECD agreed on the text of the **Common Reporting Standard**, which was shortly followed by a commitment by 44 “early adopter” jurisdictions to implement the CRS.

CRS

- In June 2014 the full CRS was approved by the OECD and was subsequently endorsed by the G20 in September 2014.
- A further major step for putting in place the international legal framework was taken with the signing of the CRS **Multilateral Competent Authority Agreement** (CRS MCAA) in October 2014, which operationalizes the automatic exchange of information under the CRS on the basis of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

CRS MCAA

- In December 2014, the EU adopted the text of the Standard by amending the **Directive on Administrative Cooperation** (DAC2).

DAC2

2015

- Simultaneously, both the OECD and the Global Forum are playing an active role in ensuring a timely and uniform implementation of the CRS across the globe.
- In August 2015, the OECD has published the first edition of the **CRS Implementation Handbook**, which provides a practical guide to implementing the CRS to both government officials and financial institutions.
- On October 29, 2015 the number of jurisdictions committed to CRS has risen once more: as of today, 96 jurisdictions are committed to implementing CRS, out of which 74 jurisdictions have signed the CRS MCAA.

2016

- At present, the Global Forum is undertaking a review of the confidentiality rules and practices in place in committed jurisdictions, as to ensure that the automatic exchange of CRS information takes place in a secure environment.

FATCA

The **Foreign Account Tax Compliance Act** (FATCA) was enacted as part of the Hire Act in March 2010 by the U.S. Congress with the purpose to detect, deter and discourage offshore tax evasion by U.S. citizens or residents which either directly or indirectly invest outside the US through foreign financial institutions.

FATCA regulations apply to U.S. (to the extent provided by each bilateral InterGovernmental Agreement) and **non-US Financial Institutions** (Foreign Financial Institutions - FFIs), such as retail banks, custodian banks, asset managers, funds, life insurance companies, etc.

FATCA creates **greater transparency** by strengthening information reporting and compliance with respect to U.S. accounts. FATCA, indeed, requires financial institutions to **identify U.S. account holders** and report certain financial information to the U.S. Tax authority (Internal Revenue Service – IRS) or Local Tax Authority (whether a Country signed an InterGovernmental Agreement – IGA 1 or 2 - with the U.S.).

FATCA – REGULATORY FRAMEWORKS

There are different regulatory frameworks that apply for FATCA purposes. In some jurisdictions FATCA is implemented through an InterGovernmental Agreement (IGA) between the US and the local country. Within non IGA countries, FATCA implementation will be governed by US regulations.

- **Intergovernmental Agreements**: in order to facilitate the adoption of FATCA rules, several countries have negotiated and signed intergovernmental agreements with the U.S. There are two types of agreements:
  - Model 1 IGA: financial institutions directly report to the local tax authority and do not have to enter into an agreement with the U.S.
  - Model 2 IGA: financial institutions report to the U.S., the agreement gives the possibility to overcome bank secrecy limitations. This model is currently adopted, among others, by Austria, Hong Kong, Switzerland and Japan.

- **US Regulations**: general framework to comply with FATCA
  - Foreign financial institutions are required to enter into an agreement with the U.S., comply with several requirements and report U.S. client data to the U.S. Tax authority. FFIs refusing to enter into the agreement are subject to 30% withholding on U.S. source income.

FATCA – KEY REQUIREMENTS

In order to comply with FATCA, the participating FFI has to fulfil four main requirements:

1 – Classification	To obtain information regarding the holder of each account to identify accounts held by US persons (directly or through a controlled passive entity) and by Non-participating FFIs. Classification involves separate activities: - **Customer on-boarding**: identification of new customers - **Due Diligence**: identification of pre-existing customers - **Monitoring**: identification of customers which become relevant after a change in circumstances
2 - Reporting	To report information with respect to relevant accounts either to the FFI jurisdiction's Tax Authorities (Model 1 IGA) or to the IRS (Final Regulations and Model 2 IGA)
3 - Withholding	To apply FATCA withholding tax on certain payments made to Non-participating FFIs and, under Final Regulations, to recalcitrant account holders
4 - Certifications	To establish and maintain a Compliance Program which includes FATCA policies, procedures and processes, aimed at producing periodic certifications to the IRS[1] and demonstrating compliance in an IRS examination, if needed

Failure by any Legal Entity of the group to comply with FATCA carries the **risk of compliance loss not only for the relevant Legal Entity but also for the whole group**

(1) Not required under Model 1 IGA

COMMON REPORTING STANDARD – CRS

G20 Leaders at their meeting in September 2013 fully endorsed the OECD proposal for a **truly global model for automatic exchange of information** and invited the OECD, working with G20 countries, to develop such a new **single standard for automatic exchange of information**, including the technical modalities, to better fight tax evasion and ensure tax compliance.

The "Standard", developed in response to the G20 request and approved by the OECD Council on 15 July 2014, **calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis**. It sets out 1) the financial account information to be exchanged, 2) the financial institutions required to report, 3) the different types of accounts and taxpayers covered, as well as 4) common due diligence procedures to be followed by financial institutions.

The Standard draws extensively on earlier work of the OECD in the area of automatic exchange of information. It incorporates progress made within the European Union, as well as global anti-money laundering standards, with the intergovernmental implementation of the Foreign Account Tax Compliance Act (FATCA) **having acted as a catalyst for the move towards automatic exchange of information in a multilateral context.**

CRS IMPLEMENTATION – LEVERAGE ON FATCA RULES

An explicit objective when designing the Standard was to build on FATCA, and more specifically the FATCA IGA, as, by **maximizing consistency with the FATCA IGA**, governments and financial institutions could leverage on the investments they are already making for FATCA. This was to ensure that a new international standard could be created, which would deliver the most effective tool to tackle cross-border tax evasion, while **minimizing costs** for governments and financial institutions.

While a large proportion of the Standard precisely mirrors the FATCA IGA, there are also areas of difference. These differences are mainly due to the removal of US specificities (such as the use of citizenship as an indicia of tax residence and the references to US domestic law found in the FATCA IGA).

CRS – KEY REQUIREMENTS

In order to comply with CRS, the FI agrees to fulfil two main requirements:

1 – Classification

To obtain information regarding the holder of each account to identify accounts held by customers with foreign tax residences (directly or through a controlled passive entity) Classification involves separate activities:

- **Customer on-boarding**: identification of new customers
- **Due Diligence**: identification of pre-existing customers
- **Monitoring**: identification of customers which become relevant after a change in circumstances

2 - Reporting

To report information to the FI jurisdiction's competent Tax Authority with respect to relevant accounts

Failure by any Legal Entity of the group to comply with CRS

has not impact on the overall compliance of the group

Similarly to FATCA Model 1 IGA, no periodic certification has to be provided: nevertheless, the FI should still be able to prove its compliance to its Tax Authority in case of an examination

CRS – LEGAL BASIS FOR EXCHANGE

Once the financial institutions have collected and reported the information to their tax administration, it is exchanged with the jurisdiction's automatic exchange partners.

There are **various routes** to do this but all **require a legal instrument** to be in place. This is because such legal instruments provide the necessary protections in relation to data safeguards and confidentiality to ensure the information is treated appropriately.

Legal instruments that permit automatic exchange under the Standard include:

- Double Tax Agreements containing the standard OECD Model Article 26;
- The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the "Convention"), Article 6 of which specifically provides for the optional use of automatic exchange;
- Tax Information Exchange Agreements.

Given the large number of signatories to the Convention, joining the **Convention** is probably the **most efficient route** to ensure information can be automatically exchanged with many jurisdictions under the Standard.

MULTILATERAL CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX MATTERS

The Convention provides for all forms of administrative assistance in tax matters: exchange of information on request, spontaneous exchange, automatic exchange, tax examinations abroad, simultaneous tax examinations and assistance in tax collection. It guarantees extensive safeguards for the protection of taxpayers’ rights.

The Convention was developed jointly by the OECD and the Council of Europe in 1988 and amended in 2010 to respond to the call by the G20 to align it to the international standard on exchange of information and to open it to all countries, thus ensuring that developing countries could benefit from the new more transparent environment.

Since then, the Convention has become a truly global instrument. It is seen as the ideal instrument for swift implementation of the new **Standard for Automatic Exchange of Financial Account Information in Tax Matters** developed by the OECD and G20 countries as well as automatic exchange of country by country reports under the **OECD/G20 Base Erosion and Profit Shifting** (BEPS) Project.

CRS – CAA

The Model Competent Authority Agreement

In addition to the legal instrument for exchange, at the administrative level automatic exchanges are typically based on separate agreements between Competent Authorities that set out the details of the information to be exchanged, how and when. The Standard therefore contains a Model CAA.

There are three Model CAAs contained in the Standard, each developed to suit a different scenario:

1. The first Model CAA is a bilateral and reciprocal model. It is designed to be used in conjunction with Article 26 of the OECD Model Double Tax Agreement;

2. The second Model CAA is a multilateral CAA that could be used to reduce the costs of signing multiple bilateral agreements (although the actual information exchange would still be on a bilateral basis). This could be used in conjunction with the Convention, something a very significant number of jurisdictions have already done;

3. Finally the third Model CAA is a non-reciprocal model provided for use where appropriate (e.g., where a jurisdiction does not have an income tax).

CRS – MCAA

The Multilateral Competent Authority Agreement

On 29 October 2014 51 jurisdictions concluded a multilateral Competent Authority Agreement (the MCAA) to implement the Standard. This agreement now has **74 signatories** and is open for others to sign.

The MCAA has been concluded under **Article 6 of the Convention** and therefore provides the most efficient route to widespread exchange.

The MCAA is a framework agreement and does **not become operational** until **domestic legislation** is in place and the requirements on data protection/confidentiality are met. It can be signed with any intended exchange dates, which are specified at the time of signing.

Exchange starts between two signatories once they both provide a subsequent notification stating they wish to exchange with each other.

FATCA AND CRS – MAIN DEADLINES

2014 | 2015 | 2016 | 2017 | 2018

PRE-EXISTING ACCOUNTS (DUE DILIGENCE)

FATCA
Jun 30, 2015
Complete identification and review of pre-existing high value individual accounts (aggregate balance >$1MLN)

FATCA
Jun 30, 2016
Complete identification and review of all remaining pre-existing individual and entity financial accounts

CRS
Dec 31 2016
Complete identification and review of pre-existing high value individual accounts (aggregate balance >$1MLN)

CRS
Dec 31 2017
Complete identification and review of all remaining pre-existing individual and entity financial accounts

NEW ACCOUNTS (ON-BOARDING)

FATCA
Jul 1, 2014
Begin new financial accounts opening procedure

CRS
Jan 1 2016
Begin new financial accounts opening procedure

REPORTING

FATCA
From March to Sep 2015
(based on regulatory framework and local regulations)
Complete the first reporting from the Local Tax Authority to the IRS(2)

FATCA
From March to Sep 2016
(based on regulatory framework and local regulations)
Complete the second reporting from the Local Tax Authority to the IRS(2)

FATCA
From March to Sep 2017
(based on regulatory framework and local regulations)
Complete the third reporting from the Local Tax Authority to the IRS(2)

CRS
Sep 2017
First exchange between authorities for new accounts opened during 2016 and for high value pre-existing individual accounts

CRS
Sep 2018
First exchange between authorities for new accounts opened during 2017, pre-existing lower individual accounts and entity accounts

(1) The FATCA deadlines indicated above are the deadlines set out in Model 1 IGA; The CRS deadlines are those applicable to countries that are considered to be early adopters
(2) The deadline indicated refers to the exchange of information between Local Tax Authority and the IRS on the basis of the Model 1 IGA provisions; Legal Entities should send the information to the Local Tax Authority on the basis of each Local guidance

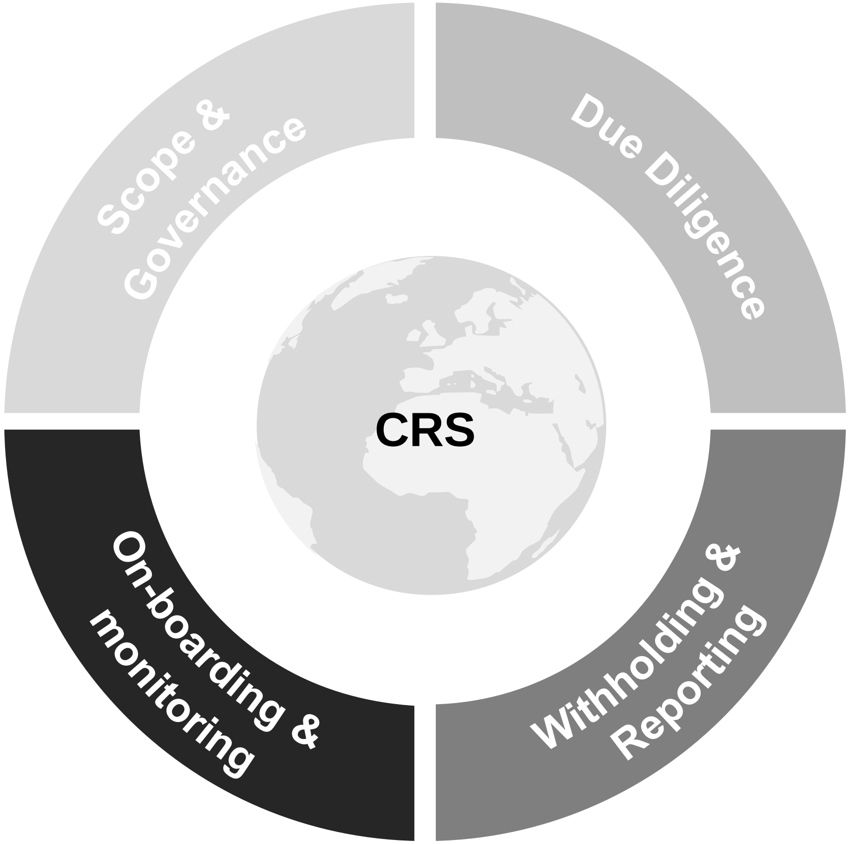
FATCA AND CRS – MAIN DIFFERENCES

1 – Scope & Governance

- The definition of a Financial Institution is broadly unchanged, even if some differences could be introduced by local law / implementation guidances
- The concept of group compliance is not foreseen by CRS

3 – On-Boarding and monitoring

- Identification of the account holders based on tax residency
- No thresholds are provided under CRS for new accounts[1]
- "Foreign" indicia (instead of US)
- Under CRS the concept of Non-participating Financial Institutions does not exist



2 – Due diligence

- Reportable accounts are foreign individuals, foreign entities (except for Financial Institutions) and Passive NFE with foreign controlling persons
- "Foreign" indicia (instead of US)
- Possibility to rely on residence address for evaluation of pre-existing lower value individual accounts
- No thresholds are provided under CRS for pre-existing individual accounts

4 – Withholding & Reporting

- No withholding under CRS
- Date and place of birth are information to be reported
- No reporting for Non Participating FFI's

(1) Under FATCA, de minimis thresholds of 50k$ (individuals) and 250k$ (entities) generally apply

CRS – HIGH LEVEL IMPACTS

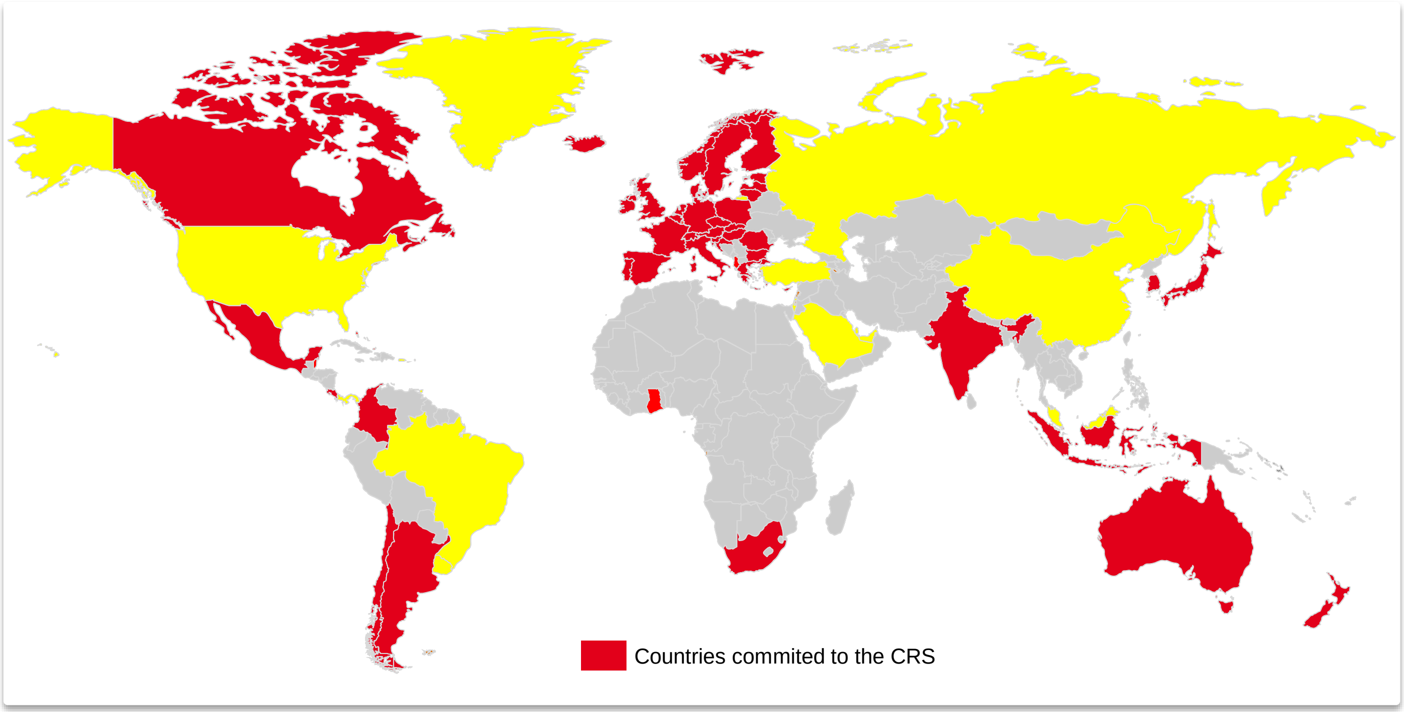
Despite of the OECD efforts to leverage as much as possible on FATCA, reaching compliance with CRS will still require a certain level of changes in current processes and procedures.

Scope and Governance	• **No adjustment** foreseen with respect to relevant **financial accounts** as of now, but the possibility cannot be ruled out until publication of local ratification laws
On-boarding, Monitoring & Due diligence	• **Update** the current **on-boarding procedure** • **Update** the current **due-diligence procedure**, also with respect to the application of the **residence address test** for pre-existing lower value individual accounts (as an alternative to the electronic search of foreign indicia) • **Update the self-certification forms** including new CRS information; • Update the IT system in order to check "**foreign indicia**" • Update the IT system with **new individual and entity client's classifications**;
Withholding & Reporting	• **No withholding** • **Update** the **reporting** procedure

Jurisdictions snapshot

Countries committed to CRS

As of today, 96 jurisdictions are committed to implementing CRS, out of which 74 jurisdictions have signed the CRS MCAA.



MCAA Signed - Early adopters (53) - Later adopters* (21)								
ANGUILLA	ARGENTINA	BARBADOS	BELGIUM	BERMUDA	BRITISH VERGIN ISLAND	BULGARIA	CAYMAN ISLANDS	COLOMBIA
COLOMBIA	CROATIA	CURACAO	CYPRUS	CZECH REPUBLIC	DENMARK	ESTONIA	FAROE ISLANDS	
FINLAND	FRANCE	GERMANY	GIBRALTAR	GREECE	GUERNSEY	HUNGARY	ICELAND	INDIA
IRELAND	ISLE OF MAN	ITALY	JERSEY	KOREA SOUTH	LATVIA	LIECHTENSTEIN	LITHUANIA	LUXEMBOURG
MALTA	MAURITIUS	MEXICO	MONTSERRAT	NETHERLANDS	NIUE	NORWAY	POLAND	PORTUGAL
ROMANIA	SAN MARINO	SEYCHELLES	SLOVAKIA	SLOVENIA	SOUTH AFRICA	SPAIN	SWEDEN	TURKS AND CAICOS ISLANDS
UNITED KINGDOM	ALBANIA*	ANTIGUA AND BARBUDA*	ARUBA*	AUSTRALIA*	AUSTRIA*	BELIZE*	CANADA*	CHILE*
COOK ISLANDS*	COSTA RICA*	GHANA*	GRENADA*	INDONESIA*	JAPAN*	MARSHALL ISLANDS*	NEW ZEALAND*	SAINT LUCIA*
SAINT VINCENT AND THE GRENADINES*	SAMOA*	SINT MAARTEN (DUTCH PART)*	SWITZERLAND*					

Committed to CRS as early adopters, MCAA not signed - Early adopters - Later adopters*								
DOMINICA	GREENLAND	TRINIDAD AND TOBAGO	ANDORRA*	THE BAHAMAS*	BRAZIL*	BRUNEI*	CHINA*	HONG KONG*
ISRAEL*	MACAO*	MALAYSIA*	MONACO*	PANAMA*	QATAR*	RUSSIA*	SAINT KITTS AND NEVIS*	SAUDI ARABIA*
SINGAPORE*	TURKEY*	UNITED ARAB EMIRATES*	URUGUAY*	UNITED STATES[1]				

1. The United States has indicated that it will be undertaking automatic information exchanges pursuant to FATCA from 2015 and has entered into intergovernmental agreements (IGAs) with other jurisdictions to do so. The Model 1A IGAs entered into by the United States acknowledge the need for the United States to achieve equivalent levels of reciprocal automatic information exchange with partner jurisdictions. They also include a political commitment to pursue the adoption of regulations and to advocate and support relevant legislation to achieve such equivalent levels of reciprocal automatic exchange.

FATCA – REVENUES AND COSTS

… Some estimates

FATCA was estimated by the United States Congress Joint Committee on Taxation to produce approximately **$8.7 billion** in additional tax revenue over 11 years ($ 790 million per year), even though later evaluations came at an even lower value (according to certain estimates, revenues would amount to $ 250 million per year).

Total compliance costs are much harder to estimate. The compliance cost to financial institutions has been roughly estimated by certain studies at $8 billion per year, approximately **ten times the amount of revenue estimated to be raised in one year**, even considering the most optimistic revenue estimate.

Different evaluations provide an even worse picture: Australia has estimated the cost, for its banks, of identifying all of its 77.000 US citizens at $ 1 billion, with the possibility to halve this cost by signing a Model 1 IGA. Projecting this value at world level would produce a total cost which may end up north of $ 200 billion.