

FATCA INFORMATION

What is FATCA?

Foreign Account Tax Compliance Act was enacted in 2010 subsequent to the 2007 economic recession .It compels Financial Institutions to disclose annually to the Internal Revenue Service(IRS) financial information in respect of USA Citizens' offshore income.

What is the Purpose?

It is aimed at detecting, deterring and discouraging offshore tax evasion. It creates greater transparency by strengthening exchange of financial information for tax purposes.

Who is Impacted?

Financial Institutions (including financial service providers) such as insurance companies that issue or are obligated to make payments in respect of cash value insurance contracts or annuity contracts or entities that provide investment instruments such as private equity funds, mutual funds, hedge funds etc.

Key considerations for Financial Institutions

Swaziland intends entering into an IGA with the USA and therefore Financial Institutions should be aware of the following fundamental points in respect of FATCA:

- Change in onboarding processes and procedures for the proper identification of USA persons, both individuals and entities with controlling US persons i.e. customer application forms, KYC checklist, account opening checklists and supporting documentation validation checks.
- Pre - existing accounts require back scanning to search for indicators of US persons (both individuals and entities).
- Obtain information to report which involves the following:
 - A specified US person: Name, address and US taxpayer identification number (TIN).
 - A US owned entity: name, address and US TIN of each substantial US owner.
 - Account Numbers.
 - Account Balances or value as of the end of the relevant calendar year
 - Depository-gross amount of interest paid or credited.

- Custodial-gross amount of interest ,dividends and other income generated with respect to the assets held in the account and total proceeds of the sale or redemption of property and
 - All other accounts: gross amount paid or credited to the account holder.
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- Other information to report on includes recalcitrant account holders (non-consenting customers).

For more information about FATCA, please visit the IRS website;

<http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA>