



United States Diplomatic Mission to Nigeria, Public Affairs Section  
Plot 1075, Diplomatic Drive, Central Business District, Abuja  
Telephone: 09-461-4000. Website at <http://nigeria.usembassy.gov>

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## **PRESS RELEASE**

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### **United States Treasury Takes Next Step in Effort to Curtail Offshore Tax Evasion**

#### ***Guidance for Foreign Financial Institutions under the Foreign Account Tax Compliance Act Available***

The U.S. Department of the Treasury and the Internal Revenue Service (IRS) has issued notices for foreign financial institutions (FFIs) to comply with the information reporting and withholding tax provisions of the Foreign Account Tax Compliance Act (FATCA). FATCA is rapidly becoming the global standard in the effort to curb offshore tax evasion. As of June 23, 2014, the United States has signed more than 36 agreements, has reached agreements in substance with 43 countries, and is engaged in related conversations with many more jurisdictions.

Congress enacted FATCA in 2010 as a way to identify U.S. citizens using foreign accounts to evade their U.S. tax responsibilities. FATCA requires U.S. financial institutions to withhold a portion of payments made to FFIs that do not agree to identify and report information on U.S. account holders.

Withholding requirements begin July 1, 2014 and the first report of FATCA information is due in 2015. The IRS FATCA registration website has been open since October. The IRS's FATCA website is:

<http://www.irs.gov/Businesses/Corporations/FATCA-Registration>

The regulations were intentionally designed to appropriately balance the scope of entities and accounts subject to FATCA with due diligence requirements, while also phasing in the related obligations over several years. For example, the final regulations exempt all preexisting accounts held by individuals with \$50,000 or less from review. For similar accounts with less than \$1,000,000, an FFI is only required to search the account information

that is electronically available. In many cases, FFIs are permitted to rely on information that they already must collect for local anti-money laundering and know-your-customer rules.

Many of these cost-saving simplifications were the result of comments received from affected financial institutions and foreign governments, which helped the United States to tailor the rules to achieve the policy objectives of the statute without imposing undue burdens or costs.

The United States Treasury has taken a global approach to the exchange of tax information in its implementation of FATCA. Treasury Deputy Assistant Secretary for International Tax Affairs Robert B. Stack noted that the “guidance has been designed to minimize administrative burdens and related costs for foreign financial institutions and withholding agents,” and that this “demonstrates the United States’ commitment to ensuring full global cooperation and a smooth implementation.”

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