



# Shanghai Consulate News for Americans

Issue 75

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## Tax News: Statement of Specified Foreign Financial Assets

### Leaving China?

Did you know that you can end your enrollment with the Smart Traveler Enrollment Program (STEP) by visiting the [step.state.gov](http://step.state.gov) site? If you previously submitted a paper enrollment form to the U.S. consulate, you may end your enrollment by sending an email request to: [ShanghaiACS@](mailto:ShanghaiACS@)

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The Internal Revenue Service would like to remind U.S. taxpayers that they may need to file Form 8938 (Statement of Specified Foreign Financial Assets). It is important for taxpayers to determine whether they are subject to this requirement because the law imposes significant penalties for failing to comply. More information is available on the IRS tax site. Here is a [summary of Key FATCA Provisions](#).

The Foreign Account Tax Compliance Act (FATCA), enacted in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act, is an important development in U.S. efforts to combat tax evasion by U.S. persons holding investments in offshore accounts.

Under FATCA, certain U.S. taxpayers holding financial assets outside the United States must report those assets to the IRS. In addition, FATCA will require foreign financial institutions to report directly to the IRS certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest.

#### Reporting by U.S. Taxpayers Holding Foreign Financial Assets

FATCA requires certain U.S. taxpayers holding foreign financial assets with an aggregate value exceeding \$50,000 to report certain information about those assets on a new form (Form 8938) that must be attached to the taxpayer's annual tax return. Reporting applies to assets held in taxable years beginning after March 18, 2010. For most taxpayers this is the 2011 tax return they filed during the 2012 tax filing season. Failure to report foreign financial assets on Form 8938 will result in a penalty of \$10,000 (and a penalty up to \$50,000 for continued failure after IRS notification). Further, underpayments of tax attributable to non-disclosed foreign financial assets will be subject to an additional substantial understatement penalty of 40 percent.

#### Reporting by Foreign Financial Institutions

FATCA will also require foreign financial institutions ("FFIs") to report directly to the IRS certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. To properly comply with these new reporting requirements, an FFI will have to enter into a special agreement with the IRS by June 30, 2013. Under this agreement a "participating" FFI will be obligated to:

- (1) undertake certain identification and due diligence procedures with respect to its accountholders;
- (2) report annually to the IRS on its account holders who are U.S. persons or foreign entities with substantial U.S. ownership; and

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## Travel Warnings And Alerts

Travel Warnings are issued to describe long-term, protracted conditions that make a country dangerous or unstable. A Travel Warning is also issued when the U.S. Government's ability to assist American citizens is constrained due to the closure of an embassy or consulate or because of a drawdown of its staff.

Travel Alerts are issued to disseminate information about short-term conditions generally within a particular country or region that pose imminent risks to the security of U.S. citizens. Natural disasters, terrorist attacks, coups, anniversaries of terrorist events, election-related demonstrations or violence, and high-profile events such as international conferences or

regional sports events are examples of conditions that might generate a Travel Alert.

The list of current Travel Warnings and Travel Alerts can be found at

<http://travel.state.gov/content/passports/english/alertswarnings.html>.

*Security reminder: It is advisable that you and your family review your personal security profile and be aware of your surroundings at all times.*

Since our previous Newsletter, the U.S. Department of State has issued new **Travel Warnings** and new **Travel Alerts** for the following countries:

4/16/2014	<a href="#">Ukraine Travel Warning</a>
4/15/2014	<a href="#">Chad Travel Warning</a>
4/14/2014	<a href="#">Colombia Travel Warning</a>
4/10/2014	<a href="#">Sudan Travel Warning</a>
4/4/2014	<a href="#">Kenya Travel Warning</a>
4/3/2014	<a href="#">Burundi Travel Warning</a>
3/27/2014	<a href="#">Niger Travel Warning</a>

## Upcoming Holidays & Other Closures

A full list of all of our closures is online at <http://shanghai.usembassy-china.org.cn/service.html>. The ACS Unit will be **CLOSED** to the public on:

<b><u>May 1, 2014, Thursday</u></b>	<b>International Labor Day</b>	国际劳动节	Guójì Láodòng Jié
<b><u>May 26, 2014, Monday</u></b>	<b>Memorial Day</b>	阵亡将士纪念日	Zhènwáng Jiàngshì Jìniàn Rì
<b><u>May 30, 2014, Friday</u></b>	<b>Administrative Closure</b>	行政管理日	Xíngzhèng Guǎnlǐ Rì
<b><u>June 2, 2014, Monday</u></b>	<b>Dragon Boat Festival</b>	端午节	Duānwǔ Jié

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(3) withhold and pay over to the IRS 30 percent of any payments of U.S. source income, as well as gross proceeds from the sale of securities that generate U.S. source income, made to (a) non-participating FFIs, (b) individual accountholders failing to provide sufficient information to determine whether or not they are a U.S. person, or (c) foreign entity accountholders failing to provide sufficient information about the identity of its substantial U.S. owners.

Notice 2011-53 provides the phased-in timeline of key FATCA implementation dates for FFIs. It is important to note that many details of the new reporting and withholding requirements pertaining to FFIs must be developed through Treasury regulations. Proposed regulations were issued on Feb. 8, 2012. Published IRS Notices accessible from this FATCA internet site provide currently available information and guidance.