

FATCA POWERPOINT PRESENTATION

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FATCA Background

- Background
- The Foreign Account Tax Compliance Act provisions (FATCA) are contained in the HIRE Act 2010 and was signed into law on March 18, 2010.



FATCA Background

These provisions are aimed at combating tax evasion by US persons who hold offshore accounts.



FATCA Background

- FATCA came into force on July 1, 2014 and has the effect of imposing new reporting requirements on FFIs throughout the world to the US IRS with respect to certain information on US persons.
- FFIs that do not comply with the FATCA requirements face a 30% withholding tax on all of their US payments and will be deemed a NPFFI.



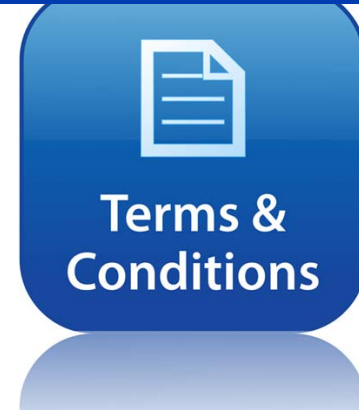
FATCA Model 1A(Reciprocal) IGA

- In order to facilitate FATCA compliance by its FFIs and avoid the immediate threat of the 30% withholding tax, Jamaica has adopted the Model 1A (Reciprocal) IGA which was signed on May 1, 2014.
- Under this agreement, FFIs will be required to report relevant financial information to the Competent Authority (TAJ) who will then be required to transmit this information to the US - IRS.



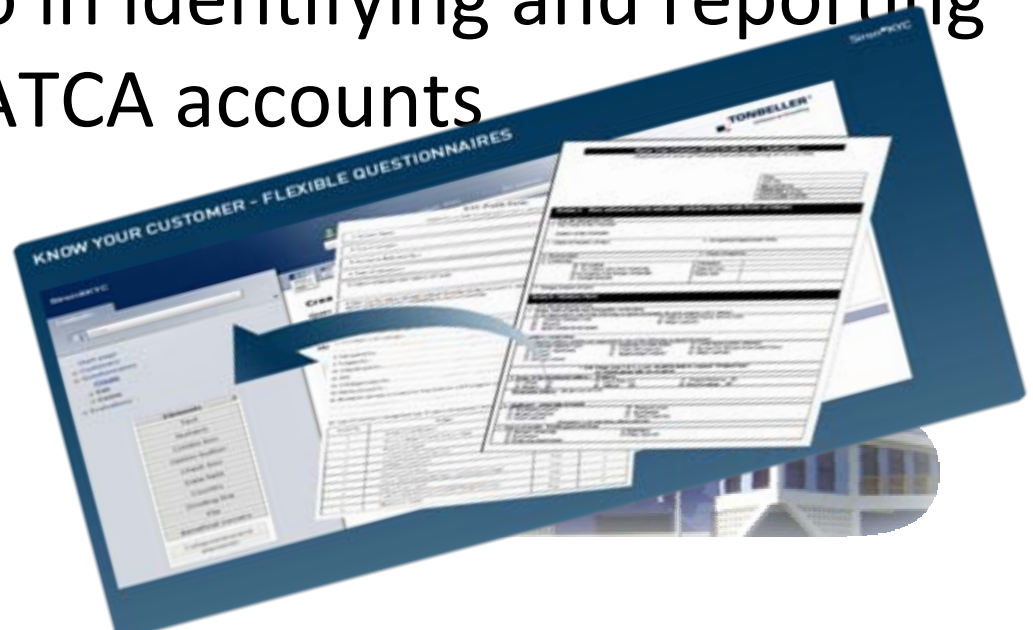
Obligations of FFIs under FATCA Model 1A IGA

- The Structure of the IGA
- 1. *Main Agreement:*
- Details the obligation of the Jamaican government and FFI with respect to the financial information to be provided to the IRS and the time and manner of information exchange/reporting



Obligations of FFIs under FATCA Model 1A IGA

- Structure of the IGA(cont'd)
- 2. *Annex 1*:
- Details the due diligence procedures that the FFIs must undergo in identifying and reporting on the relevant FATCA accounts



Obligations of FFIs under FATCA Model 1 IGA

- Structure of the IGA (cont'd)
- 3. *Annex II:*
- Specifies the excluded accounts: the exempt and deemed compliant accounts that are not to be reported on



US INDICIA

- Identification as a US citizen or resident
- US place of birth
- US mailing or residence address
- US telephone number
- Standing instructions to transfer funds to account maintained in US
- Power of Attorney granted to person with US address



Obligations of FFI's under FATCA Model 1A IGA

- Annex 1 and Treatment of Pre-existing Individual Accounts
- Check account balances as of June 30, 2014
- $a/c < \text{US } \$50,000$ ($a/c < \text{US } \$250,000$ for Cash Value Insurance Contracts/Annuity Contract)
 - No reporting requirement. No need to check for US Indicia.
- (Note that there is a continuing responsibility to monitor account balance)



Pre-existing Individual Accounts (PEIA)

- Low Value Accounts
- $\text{US\$}50,000 < \text{a/c} < \text{US\$}1,000,000$
- $\text{US\$}250,000 < \text{CVIC/Annuity C} < \text{US \$}1,000,000$
- Review electronic database for US Indicia by June 30, 2016
- If None – Non-US account designation (until there is a relevant change of circumstances)
- If Any – Treat as a US Reportable Account unless para II.B.4 of Annex 1 applies (p.3)



Paragraph B4 of Annex 1

- Self certification that A/c Holder is neither a US citizen or US resident for tax purposes
 - (IRS form W-8 or similar form)
- Non-US passport
- Documentary evidence establishing non-US status



PEIA



- High Value Accounts
- Any account > US\$1,000,000 as of June 30, 2014
- Review electronic database for US Indicia
- If Any – Treat as a US Reportable Account unless para B.4 of Annex 1 applies (p.3)
- If None – Do a paper record search (AML/KYC) for US Indicia
- If None – Consult Relationship Manager for actual knowledge



PEIA

- High Value Accounts
- If, after these three stages are completed, there is still no US Indicia, Non-US account designation; no reporting obligations (until there is a relevant change of circumstances)

NB. Review of High Value PEIA must be done by June 30, 2015.





PEIA

- Any PEIA that has been identified as a US Reportable Account will be treated as a US Reportable Account in all subsequent years, unless the Account Holder ceases to be a Specified US Person.



New Individual Accounts (NIA)

- Check balances in NIA opened on or after July 1, 2014
- Where Depository a/c < US \$50000
- Where CVIC /Annuity Contract <US \$50,000 :
 - – No reporting requirement. No need to check for US Indicia (But note duty to monitor)
- For ALL other NIA, require US status information upfront on the opening of the account (including self-certification, information pursuant to AML/KYC etc.)
- and report.



Pre-Existing Entity Accounts (PEEA)

- Check account balance as of June 30, 2014 (extended to Dec. 31, 2014)
- If $a/c < \text{US\$}250,000$ then no reporting requirement; No need to check for US Indicia until a/c balance exceeds US \$1,000,000
- If $a/c > \text{US \$}250,000$, conduct comprehensive review to determine whether the a/c holder is a US Person (Eg. place of incorporation, US address etc.)



PEEA

- If review indicates that the a/c holder is a US Person, the account must be treated as a US Reportable account unless a self-certification is received from the a/c holder or the FFI reasonably determines that the a/c holder is not a Specified US Person based on information gathered.
- NB. Review must be completed by June 30, 2016



PEEA

- If the Entity (Non-US) is a Non Financial Foreign Entity, FFI must determine whether the controlling person is a US Person.



New Entity Accounts (NEA)

- With ALL NEA, the FFI must determine whether the Account Holder is: a Specified US Person, a Jamaican (or other Partner) Financial Institution, a participating FFI, a deemed-compliant (or exempt) FFI, or an Active or Passive NFFE.
- The only exception is a credit card account treated as a NEA which has a positive credit balance of less than US\$50,000



FFI Reporting Obligations

- Article 2 of the Model 1A IGA outlines the content of the information to be reported on by FFI with respect to Reportable Accounts
- Name, address, US TIN of specified US Person
- Account No., Name and GIIN of Reporting Jamaican FFI
- Account balance/value, gross interest credited to a/c



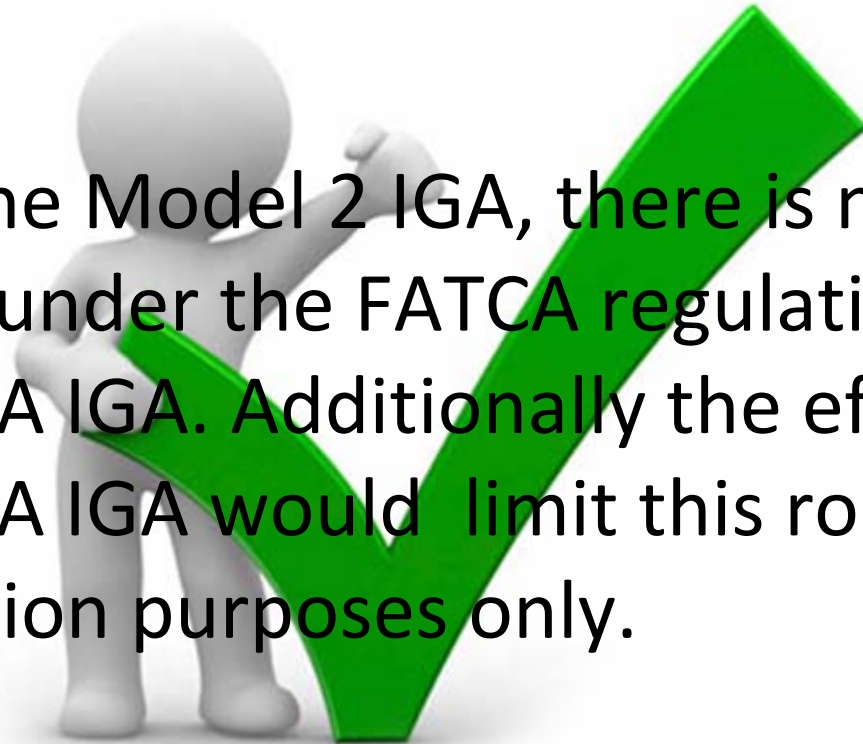
FFI Reporting Obligations

- Articles 3 and 4 of the Model 1A IGA outline the manner and procedure for the exchange of information and reporting to the IRS.



The Role of the FATCA Responsible Officer (FRO)

- Unlike the Model 2 IGA, there is no FRO as defined under the FATCA regulations, in the Model 1A IGA. Additionally the effect of the Model 1A IGA would limit this role for registration purposes only.



The Role of the FRO

- Notwithstanding this the FFI may elect to appoint an oversight officer subject to its own controls.
- Or the Government may impose requirements under its own domestic legislation.



Exempt/Deemed Compliant Entities

- Government Entity
- International Organisation
- Central Bank
- Small or Limited Scope FIs :
 - FIs with a Local Client Base satisfying criteria in Annex II
 - Local Bank satisfying criteria in Annex II inclusive of non-profit Credit Union



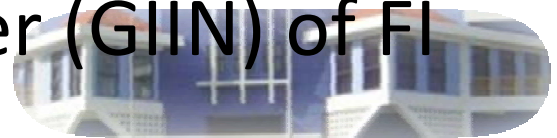
Exempt Accounts

- Exempt Accounts (established & maintained in JA and satisfying Annex II criteria):
 - 1. Retirement and Pension Account
 - 2. Certain Non-Retirement Savings Accounts
 - 3. Certain Term Life Insurance Contracts
 - 4. Accounts Held By an Estate
 - 5. Escrow Accounts
 - 6. Partner Jurisdiction Accounts



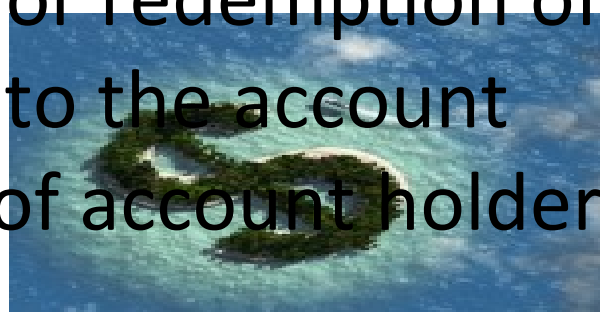
TAJ's Role as Central Authority

- As stipulated under Article 2 of the IGA, obtain from FI and annually exchange with the US-IRS
 - In respect of a US Reportable Account:
 - Name, Address, U.S. TIN of each specified US Person
 - Account Number, Balance and Value as at the end of the relevant calendar year
 - Name and Identifying Number (GIIN) of FI
- (Phased for 2014)



Role of TAJ

- WRT Custodial Accounts
- Gross amount of interest, dividends, and other income generated by assets held in the account and
- Gross proceeds from sale or redemption of property paid or credited to the account where FI acted on behalf of account holder (to apply as of 2016)



TAJ's Role (cont'd)

- WRT Depository Account
- Gross amount of interest paid or credited to the account during the calendar year
- WRT other accounts not described herein
- Gross amount paid or credited to the account where the FI is obliged to make payment
- (Phased for 2015)



Role of TAJ

- As it relates to Jamaican Reportable Accounts, TAJ will receive from the US-IRS:
- Name, address and TRN of Jamaican resident account holder
- Name and identifying number of US FI
- Gross amount of interest paid on Depository Account
- Gross amount of US source dividends/income paid to the account



Time and Manner of Exchange

- TAJ must exchange this information in the time and manner stipulated by Article 3 of the IGA which introduced a phased basis of exchange.
- The information must be exchanged within 9 months after the end of the calendar year to which it relates.
- Eg. Information for 2014 must be exchanged by TAJ by September 2015, and so on.



Roles of the Central Authority

- Provide clear guidance and instruction to reporting Financial Institutions as to the E.O.I. process under the IGA
- Collect data from Reporting Financial Institutions (FFI)
- Validate the format of the data transmitted by the Reporting Financial Institution
- Transmit the reported data to the US-IRS under the IGA



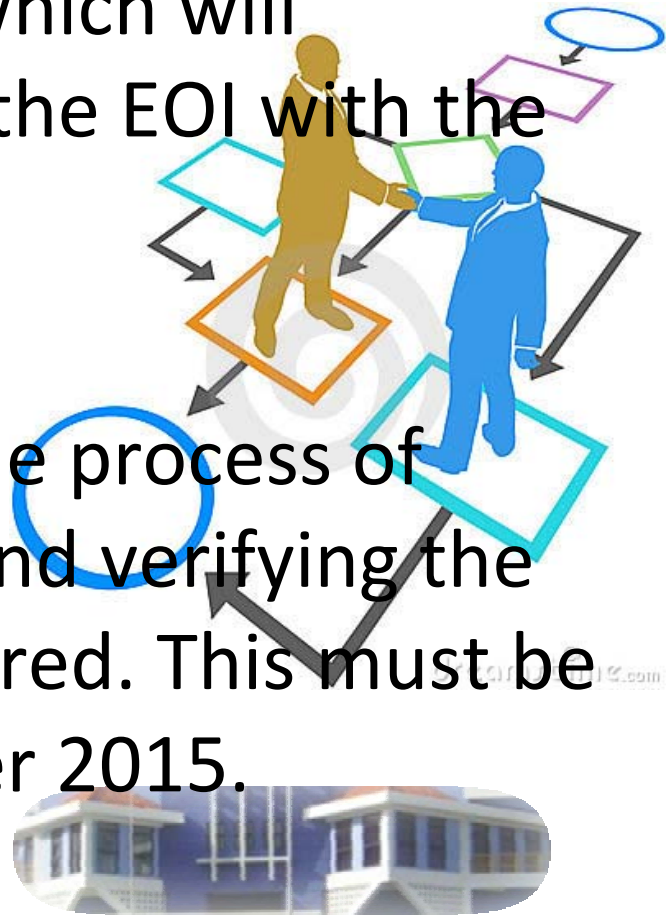
Roles of the Central Authority

- Receive relevant financial information from the US-IRS under the IGA
- Facilitate queries from the US-IRS under FATCA



Role of TAJ

- TAJ must enter into a Competent Authority Agreement with the US-IRS which will establish the procedures for the EOI with the necessary safeguards.
- TAJ is currently engaged in the process of negotiating this agreement and verifying the appropriate safeguards required. This must be established before September 2015.



Role of TAJ

- Domestic Legislation
- TAJ is currently in the process of implementing domestic legislation to effect the requirements under the IGA. The relevant Government stakeholders have been consulted and drafting instructions has already been issued to have this legislation in force before the end of 2014
- (Resolve issues of confidentiality, administrative procedure, responsibility etc.)



Guidance Notes

- TAJ intends to issue Guidance Notes to accompany the Domestic Legislation and to further guide our FIs and the general public.
- The relevant stakeholders (public sector and private sector) will be consulted in the preparation process.



Similar information exchange agreements for the future

- The OECD has committed to pursue the automatic exchange of financial account information on a global scale
- It is currently developing a Common Reporting Standard (CRS) and the Legal Framework to achieve this by 2017.
- The OECD will draw on the FATCA Model 1 regime to accomplish this.



TAJ's Infrastructural Requirements

- The TAJ is currently developing an IT system to facilitate information exchange under FATCA and will be in dialogue with the relevant financial institutions in order to guide compliance.
- The EOI under FATCA will be effected within the Exchange of Information Unit of TAJ which already has an established relationship of cooperation with the US-IRS.



Objectives of IT Solution for Tax Administration

1. Enabling Jamaica to meet its data collection and reporting obligations under a Model IA (Reciprocal) FATCA agreement;
2. Developing a system (based on the Functional and Non-Functional FATCA requirements) to meet obligations specified in the IGA (and other similar agreements) as determined by the Government of Jamaica;
3. Establishing a design for the operating environment (inclusive of development, testing, production, and disaster recovery);
4. Deploying a FATCA system, inclusive of all required software;
5. Deploying FATCA system that provides a seamless interface for all participating institutions.



Functional Requirements

REGISTRATION/ENROLMENT

FACILITATE THE ENROLMENT OF FIS WITH THEIR ASSIGNED GIIN

PROVISION OF CERTIFICATE / ACCESS MANAGEMENT

MANAGE USERS AND PROVIDE AUDIT LOGGING FOR AUTHORIZED USERS

ADMINISTER FINANCIAL INSTITUTIONS (FIS) PROFILE

ACCESS TO THE SYSTEM BY AUTHORIZED USERS

DATA COLLECTION

MANAGEMENT OF COLLECTION/UPLOAD OF FIS RECORDS

VALIDATION OF FI'S US CUSTOMERS FINANCIAL RECORDS

ENCRYPTION AND SECURITY OF DATA DURING TRANSMISSION



Functional Requirements

- **DATA MANAGEMENT**

Verification of data by TAJ Officer

Excel Services for Data Analysis

Encryption and security of Data in Storage

Data maintenance and archiving

DATA EXCHANGE

100% Secured Electronic Transmission of Data (Government to Government)

Business (FI) to Government (transfer, upload, validation and tracking)

WORKFLOW/NOTIFICATIONS

Unique notification codes for financial institution-thru-Central Authority transmissions

Notification Process that notifies user of receipt/rejection of transmitted file



Functional Requirements

Data Security

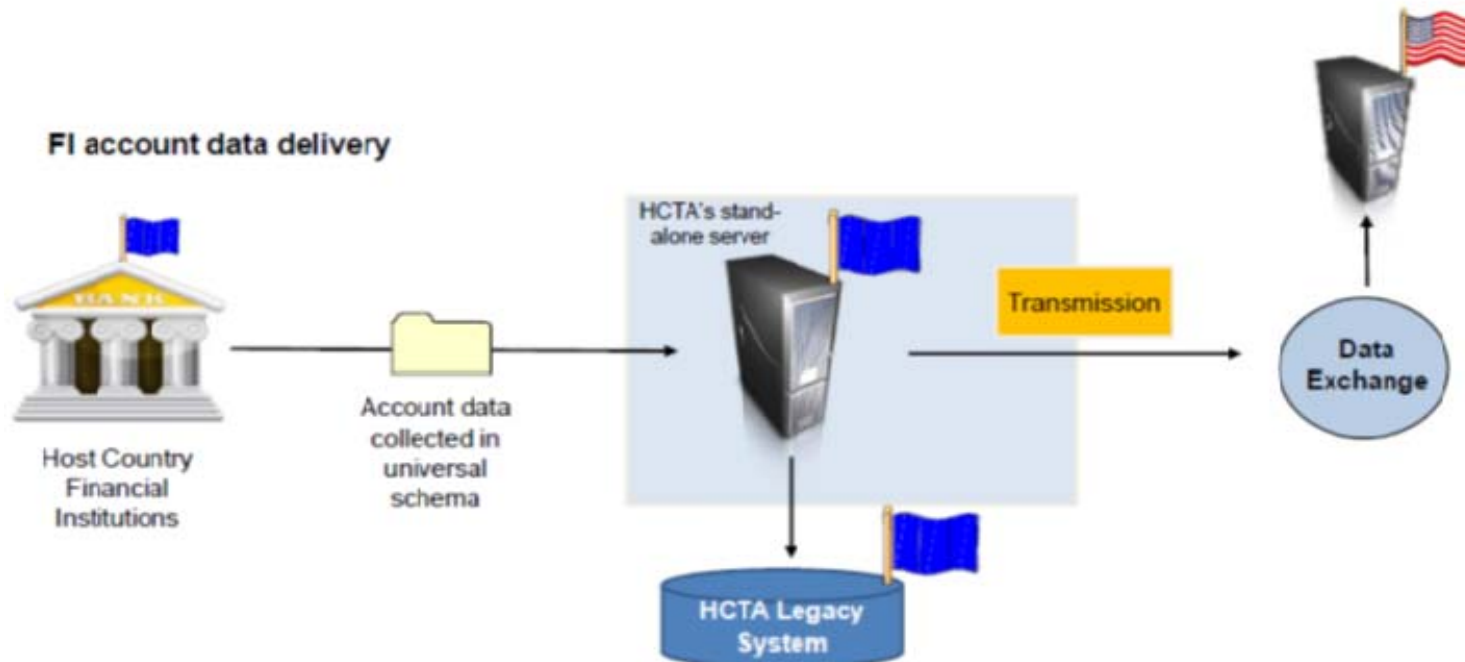
- Use of encryption software to prevent unauthorised access to data at rest and during transmission
- Users must manage the needed encryption keys
- Delivery of data to only authorised recipients
- Maintenance of data integrity through non-repudiation of the source



System Architecture

Collection Option 2 – Use of a new stand-alone server

FI account data delivery



- Host country FIs transmit account data in the universal schema to HCTA's new stand-alone server
- HCTA collects data on the stand-alone server until it is transmitted to the Data Exchange; HCTA can use data if needed and when prepared to do so



Sample Screen Shot

FAST
TAXPAYER ACCESS POINT

Submit Save and Finish Later Cancel

Menu Log Off

Home
Back

FATCA Data Submission Request

FAST Enterprises
Department of Revenue

Reporting Year: 2014
Submitted By: John Q. Banker
Number of Records: 47

Navigation
My Accounts

ATTACHMENTS

Type	Filename	Size	Description
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Add

Submit Save and Finish Later Cancel

Select a file to attach

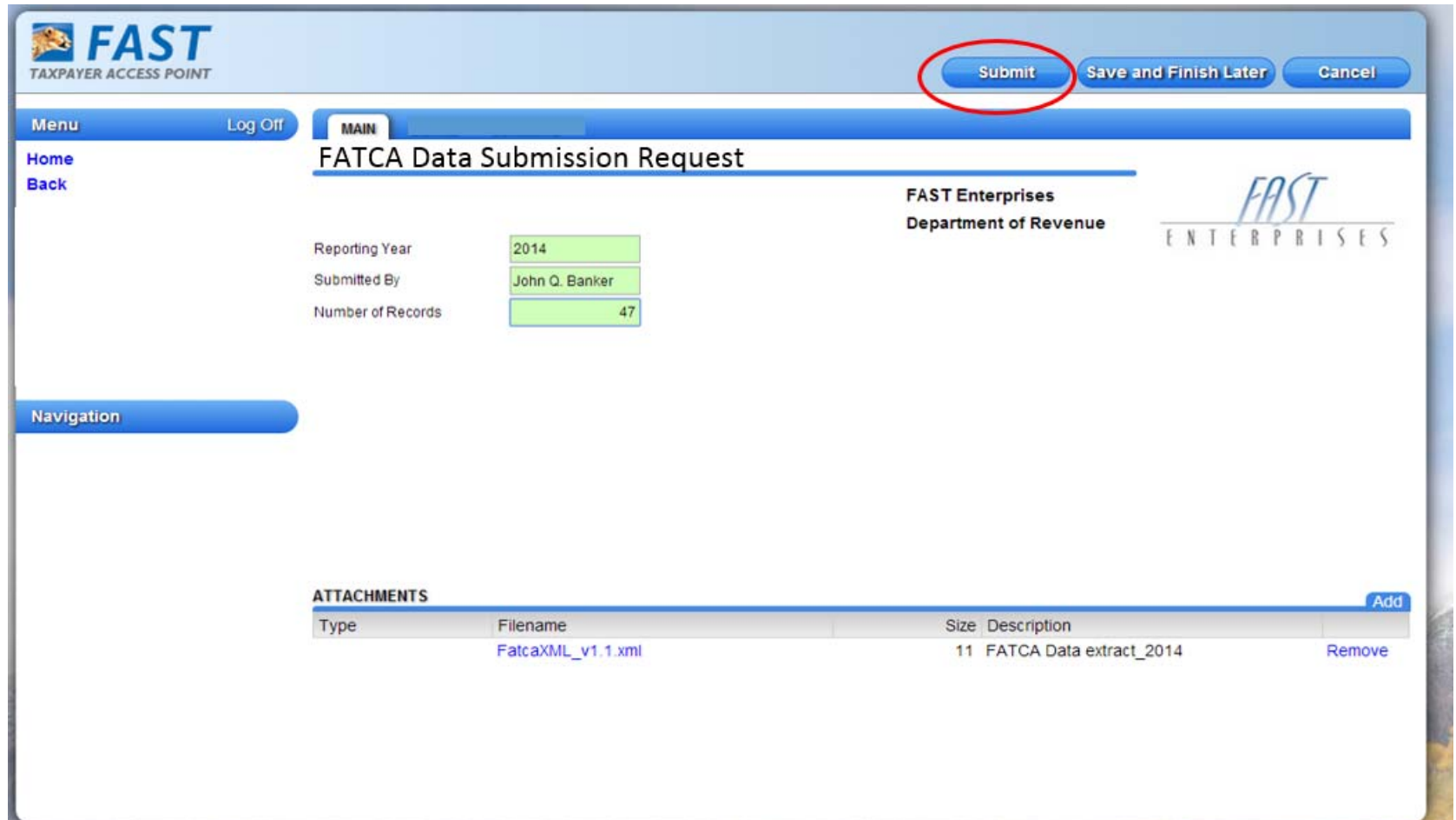
Description: FATCA Data extract_2014

Choose File: FatcaXML_v1.1.xml

Save Cancel



Sample Screen Shot



The screenshot shows the FAST Taxpayer Access Point interface. At the top, the FAST logo and 'TAXPAYER ACCESS POINT' are on the left, and 'Submit', 'Save and Finish Later', and 'Cancel' buttons are on the right. The 'Submit' button is circled in red. Below the header, a 'Menu' bar contains 'Home' and 'Back' links. A 'Log Off' button is also present. The main content area is titled 'FATCA Data Submission Request' and includes a 'MAIN' tab. On the right side of the main area, it says 'FAST Enterprises Department of Revenue' and features the FAST Enterprises logo. The form fields are: 'Reporting Year' with value '2014', 'Submitted By' with value 'John Q. Banker', and 'Number of Records' with value '47'. At the bottom, there is an 'ATTACHMENTS' section with a table listing one file: 'FatcaXML_v1.1.xml' (Size: 11, Description: FATCA Data extract_2014). An 'Add' button is at the top right of the attachments table, and a 'Remove' link is at the bottom right of the table row.

FAST
TAXPAYER ACCESS POINT

Submit **Save and Finish Later** **Cancel**

Menu **Log Off** **MAIN**

FATCA Data Submission Request

FAST Enterprises
Department of Revenue

FAST
ENTERPRISES

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Navigation

ATTACHMENTS

Type	Filename	Size	Description	
	FatcaXML_v1.1.xml	11	FATCA Data extract_2014	Remove

[Add](#)



Data Elements

Under FATCA's requirements, FFIs must identify US persons and collect and share the following information:

- a) Taxpayer Identification Number (TIN) of each account holder who is a specified United States person;
- b) The name, address, and account number;
- c) The account balance or value at year end;
- d) Gross dividends, interest ;
- e) Income paid or credited to the account



Implementation Schedule

Requirements Definition Jan - July 2014

Analysis 09 Jun - 30 Jun

Development 15 Jul - 15 Oct

Security Design 25 Aug - 01 Oct

Testing 01 Aug - 19 Dec

Pilot Testing 15 Sep - 22 Sep

Training 08 Dec - 02 Jan

Rollout 02 Jan - 16 Jan

Post implementation 19 Jan – 30 Jan



THE END

