

# FATCA: Fact Sheet

## Identification of U.S. Taxpayers

As from 1 July 2014 all banks and other financial institutions worldwide, when establishing cooperation with new clients, are obliged to identify whether they are U.S. tax residents. If a client is a legal entity, then in particular cases it shall be clarified, whether it's beneficiary owners are U.S. tax residents. Such a requirement is based on the new U.S. law Foreign Account Tax Compliance Act or FATCA.

## What is FATCA?

FATCA is the U.S. law adopted in 2010. The objective of the law is to prevent the possibility of U.S. persons evading payment of taxes by investing in foreign jurisdictions. The U.S. has concluded agreements on information exchange with many countries, and FATCA refers to the financial institutions worldwide.

## How will the requirements of FATCA be implemented in practice?

The government of Latvia has concluded an agreement with the government of the U.S. on exchange of information for tax administration purposes and on implementation of FATCA. The agreement means that banks and other financial institutions, e.g., fund managers, investment companies and life insurance companies, are obliged to identify clients having links with the U.S. The U.S. Internal Revenue Service (IRS) shall be informed of such clients and their account balances through the mediation of the local tax administration. Financial institutions shall inform also of interest income, dividends and income from securities.

## How will FATCA impact operations of Latvian banks?

Pursuant to FATCA, each Latvian commercial bank, as a financial institution, has the following obligations:

- ✓ to identify whether there are U.S. tax residents in their customer base;
- ✓ as from 2015 to notify the State Revenue Service (SRS) of the assets possessed by the identified U.S. persons, which will deliver that information to the IRS;
- ✓ to monitor changes in client data that might influence the status of clients in accordance with the requirements of FATCA.

Introduction of FATCA requirements will commence as of 1st of July, 2014.

## Who will be impacted by FATCA?

FATCA will impact only private individuals and legal entities being U.S. tax residents and having accounts or investments in banks or other financial institutions outside the U.S. Such persons are, e.g.:

- ✓ U.S. citizens (including persons with double or several country citizenship);
- ✓ persons with work permits and the permanent residence in the U.S. ("green card" holders);
- ✓ persons born in the U.S.;
- ✓ legal entities registered in the U.S.;
- ✓ legal entities having their registered address in the U.S.;
- ✓ passive legal entities whose beneficiary owners are U.S. tax residents'.

## What should a client do?

The client should provide information whether he/she/it is a U.S. tax resident. In affirmative case, the client (U.S. tax resident) should specify the U.S. taxpayer's registration number (TIN – Tax Identification Number).

## What if the client does not respond?

If the client fails to provide information on his/her/its U.S. tax resident status or fails to specify its U.S. TIN, the information on the client and the client's account balances will be sent to the IRS via SRS mediation.

## When the information to be aggregated?

Financial institutions shall start aggregate data during 2014. The first report to the IRS is planned to be delivered in 2015.

## For more information please refer to:

### U.S. Internal Revenue Service (IRS)

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

### Department of The U.S. Treasury

<http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA.aspx>

### Latvia - U.S. Intergovernmental Agreement

<http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA-Archive.aspx>

### State Revenue Service of Latvia

[www.vid.gov.lv](http://www.vid.gov.lv)