

Treasury, IRS Delay FATCA Withholding Provision

By Frank L. Brunetti on July 24, 2013

Financial institutions around the world will have more time to comply with the Foreign Account Tax Compliance Act (FATCA) as the Internal Revenue Service and Treasury Department will delay implementation of the withholding provision until July 1, 2014.

The agencies said high interest in the program from financial institutions prompted it to delay the program by six months to give banks, insurers, and investment companies more time to enroll and comply. In addition, the Treasury Department noted that the delay of the withholding and account due diligence requirements will help ensure the program runs efficiently.

"Given the groundswell of international interest in FATCA, we are providing an additional six months to complete agreements with countries and jurisdictions across the globe, before withholding begins," said Treasury deputy assistant secretary for International Tax Affairs Robert Stack. "The high volume of international participation in this effort represents a quintessential race to the top. Every additional country we bring on board means we are one step closer to winning the fight against offshore tax evasion."

Although the withholding requirements are extended, the delay will not impact the provision governing the report of information, which is still set to begin in 2015. However, the FATCA registration website, which was set to be unveiled to participating institutions on July 15, will be opened on August 19.

The announcement is a welcomed one by financial institutions in other countries, which have been lobbying for months for more time to comply with the tax law. Further, the IRS has yet to issue enrollment and reporting guidelines, which many institutions believed would result in a backlog and inefficient processing. Many also argued that if the IRS failed to post guidelines, the agency should hold off on assessing penalties against participating firms who would be rushed to comply.