

## **Press Release**

### **HK and US sign agreement to facilitate compliance with FATCA by financial institutions in HK (with photos)**

Thursday, November 13, 2014

Hong Kong and the United States (US) today (November 13) signed an inter-governmental agreement (IGA) (Note 1) that will facilitate compliance with the US Foreign Account Tax Compliance Act (FATCA) (Note 2) by financial institutions in Hong Kong.

Under the IGA, financial institutions in Hong Kong need to register and conclude separate individual agreements with the US Internal Revenue Service (IRS). Under these agreements, these institutions shall seek the consent of their account holders who are US taxpayers for reporting their account information to the US IRS annually.

The IGA reduces reporting burden and facilitates compliance with FATCA by financial institutions in Hong Kong. It covers exemptions for financial institutions or products which present low risks for tax evasion by US taxpayers.

The due diligence and reporting requirements under FATCA target specified US taxpayers including US citizens, US resident individuals, and specified entities established in the US or controlled by US persons. Under the IGA, the first reporting will take place in March 2015.

Financial institutions are reminded to assess their relevant FATCA compliance implications for their operation and clientele. They shall have the procedures and systems in place to protect clients' monies, investments or other interests in financial instruments from withholding by third parties; avoid aiding clients to engage in tax evasion locally or overseas; and promote the orderliness of market operation.

The two governments were represented by the Secretary for Financial Services and the Treasury, Professor K C Chan, and the Consul-General of the US to Hong Kong and Macau, Mr Clifford A Hart, Jr, for the signing of the IGA.

The two governments completed the discussions on the substantive terms of the IGA in May 2014. The signing ceremony took place today after the conclusion of the respective formalities. The IGA is available at the website of the Financial Services and the Treasury Bureau ([www.fstb.gov.hk/fsb/topical/doc/HK-USIGA.pdf](http://www.fstb.gov.hk/fsb/topical/doc/HK-USIGA.pdf)).

Note 1: There are two models of IGAs. A model 1 IGA essentially requires financial institutions outside the US to report account information of US taxpayers to their own government, which will commit to exchanging such information at a government level with the US IRS on an automatic basis. A model 2 IGA, which Hong Kong and the US have concluded, essentially requires financial institutions to report the relevant account information of US taxpayers to the US IRS directly, supplemented by group requests made by the US IRS, on a need basis, for exchange of information on relevant US taxpayers at a government level.

Note 2: FATCA is an anti-tax evasion regime enacted by the US to detect US taxpayers who use accounts with non-US financial institutions to conceal income and assets from the US IRS. It requires financial institutions outside the US to report financial account information of US taxpayers to the US IRS. Failing this, relevant institutions face repercussions in the form of a withholding tax imposed by the US IRS on relevant US-sourced payments to them.

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