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What is FATCA?

The Foreign Account Tax Compliance Act (FATCA) is legislation enacted by the United States Congress which requires citizens of the USA, including those who live outside the USA, to report their financial accounts held outside of the country and foreign financial institutions (FFIs) to report to the United States Internal Revenue Service (IRS) about certain financial accounts of their American clients. The purpose of FATCA is to ensure American citizens with financial assets outside the USA declare their income and assets. This legislation came into effect on July 1, 2014.

The Government of Barbados initialled a Model 1A (Reciprocal) Inter-Governmental Agreement (IGA) with the IRS, this IGA was treated as 'in effect' as of May 27, 2014. The IGA will require financial institutions in Barbados, to annually collect information on US tax payers who are account holders beginning in 2015 and transmit this information to the Inland Revenue Department of Barbados. The Inland Revenue Department will then transmit this information to the IRS. Financial institutions in Barbados which meet the criteria are required to register on the FATCA website.

Disclaimer

The purpose of this information is to highlight the responsibilities of credit unions in respect of their obligations under Foreign Account Tax Compliance Act (FATCA). The responsibility however rests with the directors of each credit union to ensure that they are kept abreast and current with their obligations as under the legislation. The information presented does not replace the need for directors to seek independent legal advice regarding individual queries and concerns.

FATCA FLOW CHART FOR CREDIT UNIONS

For the purposes of FATCA it should be noted that US indicia include but are not limited to the below:

- Identification of any account holder as a US resident or US Citizen.
- A US address associated with an account holder of the account.
- A US birth place for an account holder of the account.
- An “in care of” address or a US PO Box address that is the sole address on file with respect to that account holder.
- A power of attorney or signatory authority granted to a person with a US address.
- Instructions to transfer funds to an account maintained in the US directions received from an US postal address.
- Any other forms of correspondence (facsimile and email) with a US telephone number referenced.

Credit Union searches member database for US Indicia*

Does the search indicate US Indicia?

Yes

No

Stop here. The credit union is not reportable under FATCA.

Does any member with US indicia have an aggregate account balance of BDS\$100,000 and over?

Yes

No

Stop here. Existing members with US indicia, whose aggregate account balances fall **BELOW** the stipulated thresholds, are **NOT** reportable under FATCA.

Are the credit union total assets more than BDS\$350 million?

Yes

No

The credit union must seek appropriate legal or other professional advice to ensure that it meets its obligations under the FATCA legislation. For further information on registering with the IRS, please refer to: <http://www.irs.gov/Businesses/Corporations/FATCA-Registration>

Under the IGA, the credit union may be classified as a non-reporting Barbados Financial Institution that shall be treated as “deemed compliant” FFIs for the purposes of section 1471 of the US Internal Revenue Code. These entities generally are not required to register with IRS. The credit union must seek appropriate legal or other professional advice to determine whether it must register with the IRS.

* Credit unions should perform this exercise on an ongoing basis.