

United States

U.S. Signs Competent Authority Agreements With Australia, U.K.

The competent authority of the United States entered into its first two competent authority agreements under the intergovernmental agreements it signed with Australia and the United Kingdom to implement the U.S. Foreign Account Tax Compliance Act, the IRS announced.

The agreements mark the first such arrangements to be signed, the IRS said on September 24, adding that the Service expects that numerous other competent authority agreements with other jurisdictions, which have signed IGAs to implement FATCA, will be signed soon.

“The signing of these Competent Authority Arrangements marks another significant milestone in the international effort to gain proper reporting of offshore accounts and income,” IRS Commissioner John Koskinen said in the release. “Together in partnership with other tax authorities, we are demonstrating how far we have come in the fight against offshore tax evasion.”

However, Denise Hintzke of Deloitte Tax LLP said the agreements do not address how the U.S. will provide Australia and the U.K. with reciprocal information. “It is a good sign that these first competent authority arrangements have been signed, and it shows a positive move forward about how privacy and enforcement issues are going to be dealt with,” said Hintzke. “However, it does not address one of the fundamental issues, which is how the U.S. will provide these countries with truly reciprocal information.”

Hintzke explained that foreign financial institutions in IGA countries will be reporting additional information, such as account balances and substantial U.S. owners behind specific foreign entities. She also noted that in the future they will be reporting interest, dividends, and sale redemption proceeds.

“This information will be passed by the foreign governments to the U.S. government,” Hintzke said. “U.S. financial institutions do not report account balance information, nor do they look through entities. They only report dividends and certain interest. Therefore, the U.S. government is not going to have truly reciprocal information to provide to the foreign government.”

The text of the two agreements is largely identical, which reflects the fact that both countries entered into Model 1A reciprocal IGAs with the United States. The IGAs required the exchange of specific information for reportable accounts on an automatic basis in accord-

ance with the relevant provisions of the conventions both Australia and the United Kingdom signed with the United States to avoid double taxation and tax evasion.

Under the IGAs, the competent authorities of Australia and the United Kingdom must enter into an agreement or arrangement with the United States to establish and prescribe the rules and procedures necessary to implement the agreements. The conventions also allow the competent authorities to address other matters regarding their implementation.

The competent authority agreements state that the automatic exchange of information described in the IGAs will take place within nine months of the calendar year to which the information relates. The agreements also state that the competent authorities intend to use the International Data Exchange Service.

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