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 News

**Financial Institutions**

**Ukraine Announces Plan to Sign Pact  
On FATCA, Bringing Nations With IGAs to 78**



*By Sergei Blagov and Alison Bennett*

June 16 — The Ukrainian Ministry of Finance indicated plans to sign an intergovernmental agreement (IGA) with the U.S. on implementation of the Foreign Account Tax Compliance Act (FATCA)—a move that would bring the total number of agreements under the law to 78.

The Ukrainian action is the latest in a flurry of activity to negotiate FATCA agreements before a July 1 deadline. In June alone, 12 jurisdictions have signed or reached accords in substance to share information on their U.S. account holders with the Internal Revenue Service.

Practitioners praised Treasury's IGA progress June 16, but said more pacts are needed in areas such as Asia and Latin America.

Ukraine's Ministry of Finance plans to take measures aimed to sign the IGA with the U.S. by Dec. 31, the ministry said in a statement dated June 13 and released June 16.

According to the statement, the ministry notified the U.S. Treasury Department June 11 that the Ukrainian government intends to conclude a Model 1B IGA, including Annex I and Annex II.

As soon as the Model 1B agreement is initialed, the statement said, Ukraine is determined to start negotiations on a Model 1A IGA.

**30 Percent Withholding Tax**

Enacted in 2010, FATCA requires foreign financial institutions to report U.S.-owned accounts to the IRS or face, in some cases, a 30 percent withholding tax on their U.S.-source income.

In general, Model 1 IGAs allow banks to share information on their American clients with their own governments, which then would transmit the data to the U.S.

Specifically, Model 1A accords provide for reciprocal information sharing, while in Model 1B agreements the information goes only from the foreign government to the U.S.

IGAs reached in substance by July 1 will be treated as in effect through the end of the year as long as they are signed by Dec. 31.

The most recent update of Treasury's list of IGAs showed that seven new jurisdictions had reached agreements in substance, including Antigua and Barbuda, Belarus, Georgia, Paraguay, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Ukraine doesn't yet appear on Treasury's official list because talks are still under way. The June 16 announcement comes in contrast to the strained political situation in Russia, where the U.S. has suspended negotiations on an IGA stemming from tensions over Ukraine.

**Gaps in Network Seen**

Speaking to Bloomberg BNA June 16, practitioners praised the progress Treasury has made in negotiating dozens of agreements, but more may be needed.

"Every country has been showing an interest in signing one," Denise Hintzke, global tax leader of the Foreign Account Tax Compliance Initiative at Deloitte Tax LLP, said. She said, however, "There are still fairly large gaps in Asia and Latin America. When I talk to some of our clients that's still a concern for them."

**BNA Snapshot**

**Key Development:**

Ukrainian tax authorities plan to sign an accord with the U.S. to share information on their U.S. account holders under FATCA.

**Potential Impact:** The action would bring to 78 the number of jurisdictions with IGAs.

**Next Steps:** Ukraine says it will sign an IGA by Dec. 31.

Former Treasury international tax counsel John Harrington, now a partner at Dentons, said IGAs now cover most of the major financial centers. "There aren't a lot of places where you can see a large hole," although Russia is one such place, he said.

Harrington said although the IGAs are positive, since the IRS recently announced a two-year period of transition relief for direct reporting in Notice 2014-33 , it is possible some in IGA countries may actually be held to a higher standard.

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### **For More Information**

Text of Treasury's list of jurisdictions with IGAs that have been signed or agreed in substance is at <http://www.treasury.gov/resource-center/tax-policy/treaties/pages/fatca-archive.aspx>.

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