

## The U.S. and China Reach FATCA Agreement in Substance

### Closing the distance

Global Financial Services Industry



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On June 26, 2014, the U.S. and China reached an agreement in substance to implement the Foreign Account Tax Compliance Act (FATCA) through a Model 1 Intergovernmental Agreement (“IGA”). As China is one of the U.S. largest trading partners, this is a substantial development in achieving overall tax compliance through information sharing agreements. China will now be treated as having an agreement “in effect” for compliance purposes, easing the potential 30% withholding tax imposed on Chinese financial institutions under FATCA. China will have through the end of the year to finalize and sign the IGA in order to retain the Model 1 status.

The list of jurisdictions treated as having an IGA in effect, as well as the list of countries with signed IGAs, is available on the [U.S. Department of the Treasury website](#).

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