

To: Taxation Committee, International Affairs & Reinsurance Committee, Public Affairs Group, Communications & PR Committee

The model Intergovernmental Agreement to facilitate implementation of FATCA has been published.

Latest developments

On 26 July the model Intergovernmental Agreement (IGA) to facilitate the implementation of the Foreign Accounts Tax Compliance Act (FATCA) was published. This agreement with the US was negotiated by the UK, Spain, Italy, France and Germany. The IGA has been designed so that financial institutions that adopt it will look to this agreement and their own domestic law to comply with FATCA.

There are two versions of the model agreement—a [reciprocal](#) version and a [non-reciprocal](#) version. Both versions establish a framework for reporting by financial institutions of certain financial account information to their respective tax authorities, followed by automatic exchange of such information under existing bilateral tax treaties or tax information exchange agreements. The reciprocal version of the model requires the United States to exchange information currently collected on accounts held in U.S. financial institutions by residents of partner countries, and includes a policy commitment to pursue regulations and support legislation that would provide for equivalent levels of exchange by the United States. This version of the model agreement will be available only to jurisdictions i) with whom the United States has in effect an income tax treaty or tax information exchange agreement and ii) with respect to whom the U.S. Treasury and the Internal Revenue Service have determined that the recipient government has in place robust protections and practices to ensure that the information remains confidential and that it is used solely for tax purposes.

Both versions of the model agreement deal with the existing legal impediments to comply with FATCA requirements:

1. European data privacy laws - Under the IGA insurers will report the required information to their national tax authorities and not directly to the IRS.
2. Cancellation of contracts - The IGA states that insurers will not be obliged to close accounts of recalcitrant account holders.
3. Withholding tax on policyholders - The IGA will not require insurers to withhold US tax on our policyholders.

Next steps

Publications of country specific annexes to the model agreement are expected shortly. These annexes are expected to exempt from FATCA reporting obligations low tax evasion financial products, including insurance products i.e. pension accounts or annuities.

For more info

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