

FATCA/IGA

Background

The Foreign Account Tax Compliance Act (FATCA) was enacted by the US in 2010 to target non-compliance by US taxpayers who may be using foreign accounts to evade tax and its detailed provisions are now being implemented. International developments in the general area of automatic exchange

of tax related information continue to progress with similar intergovernmental agreements (IGAs) agreed between the Crown Dependencies with both the US and the UK. Other countries can be expected to follow suit.

Who is affected and what needs to be done?

The key obligations under the IGAs fall on financial institutions (FIs). The term FI applies to a wide range of entities including trusts, trustee companies, custodians, banks and funds which are required to register with the IRS.

Although the IRS have previously pushed back key FATCA milestones it should be assumed that the current deadlines will now apply and with more clarity on the classification and registration process, FIs should now be considering their FATCA compliance requirements.

In broad terms, an FI in an IGA country is required to register with the IRS by 22 December 2014, perform due diligence to identify Financial Accounts held directly or indirectly by US/UK individuals and entities by 30 June 2016 (or 30 June 2015 in respect of higher value accounts), and provide annual reporting to their domestic tax authority for onward transmission to the IRS/HMRC on an automatic and progressive basis from 2014 onwards.

What are the applicable deadlines?

| 1 January 2014 | 1 July 2014 | 31 December 2014 | 30 June 2015 | 30 June 2016 |
|-------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| IRS portal opened | Procedures in place to onboard new Financial Account holders | Final FI registration deadline for entities based in IGA countries (IRS have indicated that registration would be required by 22 December 2014 to be guaranteed to obtain a Global Intermediary Identification Number (GIIN) and be on the IRS list by 1 January 2015) | First information as at 31 December 2014 passed to domestic tax authorities for onward transmission to the IRS by 30 September 2015 | First information as at 31 December 2014 and 2015 passed to domestic tax authorities for onward transmission to the HMRC by 30 September 2016 |

This summary has been prepared for general guidance only. Readers should seek professional advice before proceeding in all cases.

What are the key tasks for FIs and how can Sanne help?

Entity Classification

Determine the FATCA classification status of all entities within a structure.

Sanne can classify administered entities using a KPMG model and defined decision tree for verification by KPMG or the relevant entity's appointed tax advisers.

Registration

Identify a registration strategy for FIs and, where necessary, performing appropriate registration on the IRS portal on or before 22 December 2014.

Key Sanne entities have been registered on the IRS portal to ensure that Sanne is well placed to assist its administered FIs to meet their FATCA obligations. Sanne can execute the agreed strategy by undertaking the necessary registration on the IRS portal.

Due Diligence

Determine the domicile, citizenship and tax status of Financial Account holders (individuals and entities) through a review of CDD information maintained for pre-existing Financial Accounts on 30 June 2014 or self-certification (W-8BEN or W-9BENS) for new Financial Accounts from 1 July 2014.

Sanne will undertake US/UK indicia searches on existing customer profiles on its enhanced electronic database for pre-existing accounts and our new account processes have already been adapted to be FATCA compliant from 1 July 2014.

Reporting

Report information on reportable Financial Accounts to the relevant tax authority.

Sanne can prepare and file FATCA compliant reporting.

Next steps

Please advise your usual Sanne contact to the extent that the entity classification and registration process has been or is being undertaken by you. To the extent that Sanne does not receive a response by 30 September 2014 it will proceed with the entity classification (including KPMG verification) and registration process. Where Sanne is providing trustee services, it will be automatically rolling out its FATCA compliance services to fulfil its fiduciary duties.

Please be advised that FATCA compliance services (including third party advisory costs) will be charged in addition to pre-agreed fees. In all cases Sanne will seek to deliver only those specialist services that are required to achieve FATCA compliance for any given structure.

Further information

In the first instance please speak to your regular Sanne contact for further information.