Lesson 17: IGA Reporting

Hello, and welcome back to our lesson in IGA Reporting or Intergovernmental Reporting.   In our last lesson, we talked about chapter 4 reporting on Form 8966, or the FATCA Report. If you remember, this the form that U.S. financial institutions and participating non-U.S. financial institutions or FFIs use to report specified U.S. persons that hold financial accounts outside of the United States to the United States. Remember, participating FFIs enter into an agreement with the IRS in order to be compliant with chapter 4. In this lesson, we are going to talk about how FFIs in an IGA country will have to report.

So, the FFIs that are reporting on Form 8966 generally are not resident in a Model 1 IGA country. We learned in a prior lesson that an IGA country is a country that entered into an agreement with the United States and these agreements are called IGAs. Remember, these agreements came in two flavors. Model 1 and Model 2. Model 1 IGA countries report in such a way that financial institutions in those countries report directly to their own tax authorities, then those tax authorities report to the United States. Model 2 IGA countries report in such a way that the financial institution is able to report directly to the United States. In both instances, the reports are very similar, but not exact copies of Form 8966, the FATCA Report. So, let's dig into each of those IGAs to talk about how and what gets reported.

We will start with Model 2 IGA countries. Generally, financial institutions resident in those countries will be able to report directly to the United States using the International Data Exchanges Service or IDES. This is an electronic delivery point where financial institutions and Host Country Tax Authorities – or the tax authorities of Model 2 countries, can transmit and exchange chapter 4 data with the United States. Basically, it is a secure web application that uses a standard XML schema format to collect the information required in a Form 8966 or FATCA Report. IDES allows the financial institution to transmit data securely. The person sending the files will encrypt the data and then IDES will encrypt the transmission pathway of the data to protect the transfer. This sounds a little complicated, but really, it is not. In short, a

Model 2 financial institution will register with IDES and receive a digital certificate or token. This is an electronic password that allows data to transmit securely and safely. You may be seeing a theme here – data needs to be transmitted between countries in a very secure way. So, once the sender has a digital certificate and is registered to use IDES, it can upload an XML file of the chapter 4 data that it is required to exchange. XML stands for extensible markup language data file. It is a file that uses custom tags to define objects and the data within each object. These custom tags, pretty much identify all of the data elements required to be reported to the IRS and align, for the most part, with the details on the Form 8966. This is how Model 2 countries generally will report to the IRS.

Now, what is in the files? Well, sometimes it depends on the country rules and requirements, but generally, the files include the same information we saw on Form 8966. The financial institutions will report to the IRS any U.S. reportable accounts it maintains for documented and specified U.S. persons – such as U.S. Individuals, and U.S. trusts, or passive entities that have controlling U.S. persons or substantial U.S. owners – depending on the local rules. These U.S. persons will be reported in the XML file along with their address, TIN, and depending on the type of institution, certain financial information. As an example, a bank would report financial details on interest based on deposit information. An investment entity or fund would report on amounts paid or credited or redemptions paid to investors. Last, the XML will include information related to the filer or the financial institution – including its Global Intermediary Identification Number – remember those? GIINS! This is their unique identifier.

Next, let's talk about Model 1 IGA countries. Financial institutions resident here will file the same information in the same format to their own local tax authorities. Generally, this is done through a portal. Financial institutions will upload an XML file to these sites and then those tax authorities will exchange with the IRS using IDES.

Now, let's talk deadlines. If you thought there was one deadline like other forms we have discussed, you will find they are sort of all over the place, because each IGA country is able to

set its own deadlines and guidelines. Financial institutions that have to report under an IGA will have to look to their own tax authorities and rules for filing deadlines. As an example, let's use Cayman again, the deadline to file was May 31, but now the Cayman authorities have permanently moved that deadline to July 31. The due date in Australia for filing and IGA report is also July 31. In the United Kingdom; however, is May 31. As you can see, the deadlines can vary and can also change, based on rules set forth in each country.

In the same vein, corrections and amendments are also set forth by the tax authorities in each country. Depending on how the files must be submitted, the rules for amending and correcting may vary. Further, when filing on the various tax portals in each country, there may be rules that require a filer to void and resubmit a report or to amend in a certain way. It is extremely important that filers consult the rules for each portal in each country when making amendments or corrections. User Guides and Portal Updates are great resources. I am sure you can see how important documenting all of these filing requirements and due dates in your organizations policies and procedure manuals. Additionally, if you file in several countries, documenting how your organization keeps current on the rules is also very important.

And with that, we will take a break from IGA reporting and move on in our next lesson to talk about reporting under the Common Reporting Standard, which is very similar, but follows a different set of rules. See you then!