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Highlights of the New IRS Regulation FATCA

What is FATCA?

FATCA "Foreign Account Tax Compliance Act" was signed into law by the U.S. Congress in March 2010. Amongst other things, it calls for foreign financial institutions to identify and report to the IRS financial accounts of North American clients and / or foreign entities in which US taxpayers have a substantial interest. This Act aims to identify U.S. taxpayers who maintaining financial assets in institutions outside of the U.S.

What is an IGA?

The FATCA IGA "Intergovernmental Agreement" is an agreement between two governments (In the case of FATCA between the United States and another country); for collaboration and reporting of tax information. In July 2012, the United States Department of the Treasury issued the first model of the Intergovernmental Agreement (IGA) to report information about U.S. account holders. There are basically two types of IGA's, Model 1 and Model 2 the first one being reciprocal in nature. Currently over 50 IGA's have been signed, among which the following are highlighted:

- Model 1 IGA signed by: Canada, Cayman Islands, Costa Rica, Denmark, France, Germany, Guernsey, Hungary, Ireland, Isle of Man, Italy, Jersey, Malta, Mauritius, Mexico, Netherlands, Norway, Spain and United Kingdom.

- Model 2 IGA signed by Switzerland, Japan and Bermuda.

Responsibilities of foreign financial institutions

The Financial Supervisory Body of Colombia issued recommendations for the implementation of the new regulation to its financial entities, controlled participants, such as banks, brokerage firms and trust companies through Circular 062 of 2013. Additionally, the Internal Revenue Service "the IRS" established the following obligations for those participating entities:

- Review and Due Diligence of all Financial Accounts.

- Reporting of Identified U.S. account information to the IRS or to the local tax authority.

- Application of FATCA Withholding on certain payments made to persons and other financial institutions that do not comply with FATCA, depending on the jurisdiction where they are.

• Identification of accounts and recalcitrant clients (Not cooperating or providing to their financial institution the necessary information in accordance with the requirements of FATCA).

Significantly, those financial institutions outside the US that do not comply with FATCA will be subject to a withholding tax of 30% on certain transactions flows from the United States, as of July 1, 2014 (date the FATCA law became effective).

Acronyms:

FATCA: Foreign Account Tax Compliant Act

FFI: Foreign Financial Institution

NFFE: Non- Financial Foreign Entity

USFI: U.S. Financial institution

IRS: Internal Revenue Service United States

GIIN: Global Intermediary Identification Number

TIN: Taxpayer Identification Number

Additionally, if you require more information about we suggest you consult the following official websites:

http://www.irs.gov

http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA.aspx

http://www.irs.gov/Spanish

http://www.irs.gov/uac/Newsroom/Ayuda-Tributaria-en-Espa%C3%B1ol-2