

FATCA deadlines extended because of COVID-19

The IRS recently extended two deadlines related to the Foreign Account Tax Compliance Act (FATCA) because of the novel coronavirus (COVID-19) crisis. First, the deadline for foreign jurisdictions to provide 2019 FATCA-related data to the United States has been extended to December 31, 2020. Second, the deadline for FATCA certifications has been extended to December 15, 2020. The IRS has also provided guidance related to foreign financial institution (FFI) agreements.

FFI agreements and Model IGAs

The Internal Revenue Code (IRC) requires withholding agents to deduct and withhold 30% from certain payments made to an FFI. However, an exception exists if the FFI has entered into an agreement with the United States to, among other things, report certain information regarding U.S. accounts. The IRC also imposes withholding, documentation and reporting requirements on withholding agents with respect to certain payments made to certain non-financial foreign entities.

An FFI must register its FFI agreement with the IRS via the FFI's online FATCA Registration Account. The FFI can check on the status of the agreement by viewing the message board located on the home page of its FATCA Registration Account.

To facilitate the exchange of information on foreign financial accounts held by U.S. taxpayers, the U.S. Treasury Department collaborated with foreign governments (FATCA partners) to develop two alternative model intergovernmental agreements (IGAs): Model 1 IGA and Model 2 IGA.

Under a Model 1 IGA, the FATCA partner agrees to report to the IRS, annually, specified information about the U.S. accounts maintained by relevant FFIs located in the jurisdiction by September 30 of the following year.

FATCA certification

A FATCA certification consists of one or more series of questions that the responsible officers of certain entities must answer and submit to the IRS to confirm the entities' compliance with the requirements of FATCA. The due date for submitting FATCA certifications is July 1 following the third full calendar year after the date the entity registered its FFI agreement.

In response to the COVID-19 crisis, the IRS is providing an extension, until December 31, 2020, for Model 1 IGA jurisdictions to provide their FATCA data for tax year 2019. Also, in response to disruptions related to the pandemic, the IRS will grant an automatic extension to submit a FATCA certification for an entity with a certification due date of July 1, 2020.

As mentioned, FATCA certifications that are due on July 1, 2020, will be extended to December 15, 2020, without the need to file an extension request with the IRS. The new due date will automatically show on the FATCA registration system.

FFI agreement terminated

The IRS has also added guidance regarding FFI agreements. The agency says that, if the status of an FFI's agreement is listed as "Agreement Terminated" on its message board, the IRS has identified an issue with the registration. The agency advises the FFI to review its registration message board for any messages regarding why the registration status was changed to "Agreement Terminated."

Still important

As a reminder, the IRS has already granted an extension to July 15 for filing Form 8966, "FATCA Report," for Reporting Model 2 Financial Institutions and Participating Foreign Financial Institutions. Work closely with your CPA to understand all aspects of FATCA and comply with its requirements.