



Statement by the Minister of International Business on FATCA

The Governments of Barbados and the United States of America (US) have agreed to commence negotiations with respect to an Inter-Governmental Agreement (IGA) that will give effect in Barbados to the provisions of the Foreign Account Tax Compliance Act (FATCA) a federal law of the United States of America.

FATCA was enacted in 2010 by the United States Congress to target non-payment of Federal Taxes by U.S. taxpayers who utilize foreign accounts for this purpose. FATCA requires foreign financial institutions (primarily Banks, Insurance Companies and custodial institutions such as Investment Funds) to report to the US Internal Revenue Service (IRS), information about financial accounts held by U.S. taxpayers, or by foreign companies in which U.S. taxpayers hold a controlling interest. . Countries refusing to comply run the risk of causing their financial institutions to be subject to a 30% withholding tax on both income and capital from US sources.

The Government of Barbados established a Negotiating Team headed by the Central Bank of Barbados and Invest Barbados and comprising both private and public sector representatives, to advise on the most efficacious way to proceed. This Task Force conducted research, held meetings with stakeholders and had dialogue with officials of the US Treasury Department. In the end the Task Force advised Cabinet that Barbados should seek to negotiate a reciprocal IGA with the US Government. The US Government has informed Barbados that it is willing to enter into these negotiations.

Rest assured that Barbados is not alone in relation to FATCA. To date, 16 countries have signed IGAs with the United States while several more are in negotiations to do so. The FATCA initiative has become the catalyst for the global adoption of a new disclosure standard based on the automatic exchange of taxpayer information. Several countries in the Caribbean are also in negotiations with the US while CARICOM is also pursuing a regional initiative on the matter

From an operational standpoint, the IGA will require financial institutions in Barbados, to annually collect information on US tax payers who are account holders beginning in 2015 and transmit this information to the Inland Revenue Department of Barbados. The Inland Revenue Department will then transmit this information to the IRS. Thus FATCA should have no effect on Barbadians who are living, maintaining bank accounts and working here and who are not deemed to be US taxpayers. However, the US Government and the IRS will perform a reciprocal exercise for Barbadian tax payers who maintain accounts with US financial institutions.

It should be noted however that while the IGA has to be concluded no later than June 30, 2014; Barbados will have at least until September 30, 2015 to ensure that all matters needed to operationalise FATCA, including the passage of legislation, are in place.

Pursuant to a decision of Cabinet, the IGA with the US will be negotiated by the FATCA Negotiating Team which includes the Inland Revenue Department, the Central Bank of Barbados, Invest Barbados, the Ministry of International Business, the Financial Services Commission and the Barbados Bankers Association. The Negotiating Team will co-opt such assistance from other entities in the private sector as it deems fit.

The Government of Barbados will negotiate with the US to ensure that institutions like Credit Unions, Pensions funds, government entities and International Institutions that present a low risk of US tax evasion are exempt from the provisions of FATCA under a special annex to the IGA.

An action plan has been prepared and Government will be channelling its energies in the coming months to the preparatory work for FATCA implementation including such matters as public education, continued dialogue with the financial industry and a FATCA sensitization seminar. In these actions government will continue to forge strategic alliances with various stakeholders to ensure that the transition to the FATCA regime is as smooth as possible. The Central Bank of Barbados, the FSC and Invest Barbados will be posting guidance and next steps for financial institutions and other entities that will be subject to FATCA requirements on their websites.

February 3, 2014