

US threatens to close expats' UK accounts



The US Treasury building as seen from the Bank of America: one industry source suggested the Treasury is 'using banks as tax collectors across the world' Photo: Chip Somodevilla/Getty Images

British expats living in America are being threatened with having their UK bank accounts shut down if they fail to comply with rigorous new American tax laws.

The implementation of the draconian Foreign Account Tax Compliance Act – or FATCA – is proving a nightmare not only for Americans living in the UK but for Britons living in the US.

British expats who have retained bank accounts at home are being told they have to submit a raft of forms to satisfy the US Internal Revenue Service.

In many cases the IRS has already received the forms, but it is now demanding the paperwork is filled out again and expats also have to send proof of identity back to their banks in Britain.

HSBC has told customers that the information must be received within 90 days or it will shut down their accounts. Other banks are understood to be adopting a similar approach. According to the industry trade body, the British Bankers' Association, banks have no alternative but to comply.

“Banks operating in the UK are compelled by UK law to meet their due diligence and reporting obligations, including those under the US-UK Intergovernmental Agreement to Improve International Tax Compliance and to Implement FATCA,” a spokesman said.

“Banks do not have discretion in the application of these laws.”

Some financial institutions, annoyed by the bureaucracy required to comply with FATCA, are pulling out of doing business with people with American connections, both US citizens and those living in the USA.

A number of UK stockbrokers have said they will not deal with US residents. Worse, some firms are ending relationships with existing clients who have moved to the US.

They are deciding that the demands of FATCA and the Securities and Exchange Commission (SEC), which governs trading in shares, have made the cost of doing business in the US unviable.

FATCA was introduced by the US Government to tackle tax evasion by its citizens who were sheltering money abroad and not declaring it.

It also applied to nationals who were not living in the country. And Green Card holders must file details of any savings they hold overseas above \$10,000 (£6,400).

The penalties for non-compliance are ferocious. Failure to declare savings can lead to a fine of \$100,000 (£64,000) or 50 per cent of an expat's largest overseas account, whichever is higher.

A bank which fails to report a single customer with savings over \$50,000 (£32,000) could see 30 per cent of its US income withheld by the Treasury in Washington.

"It was predictable when the Act was passed in 2010," said Robert Wood, a tax lawyer based in San Francisco. "But no one anticipated the draconian impact it has had. I am guessing the US government didn't expect this to happen."

One industry source said: "The reality is that the US Treasury is using banks as tax collectors across the world."